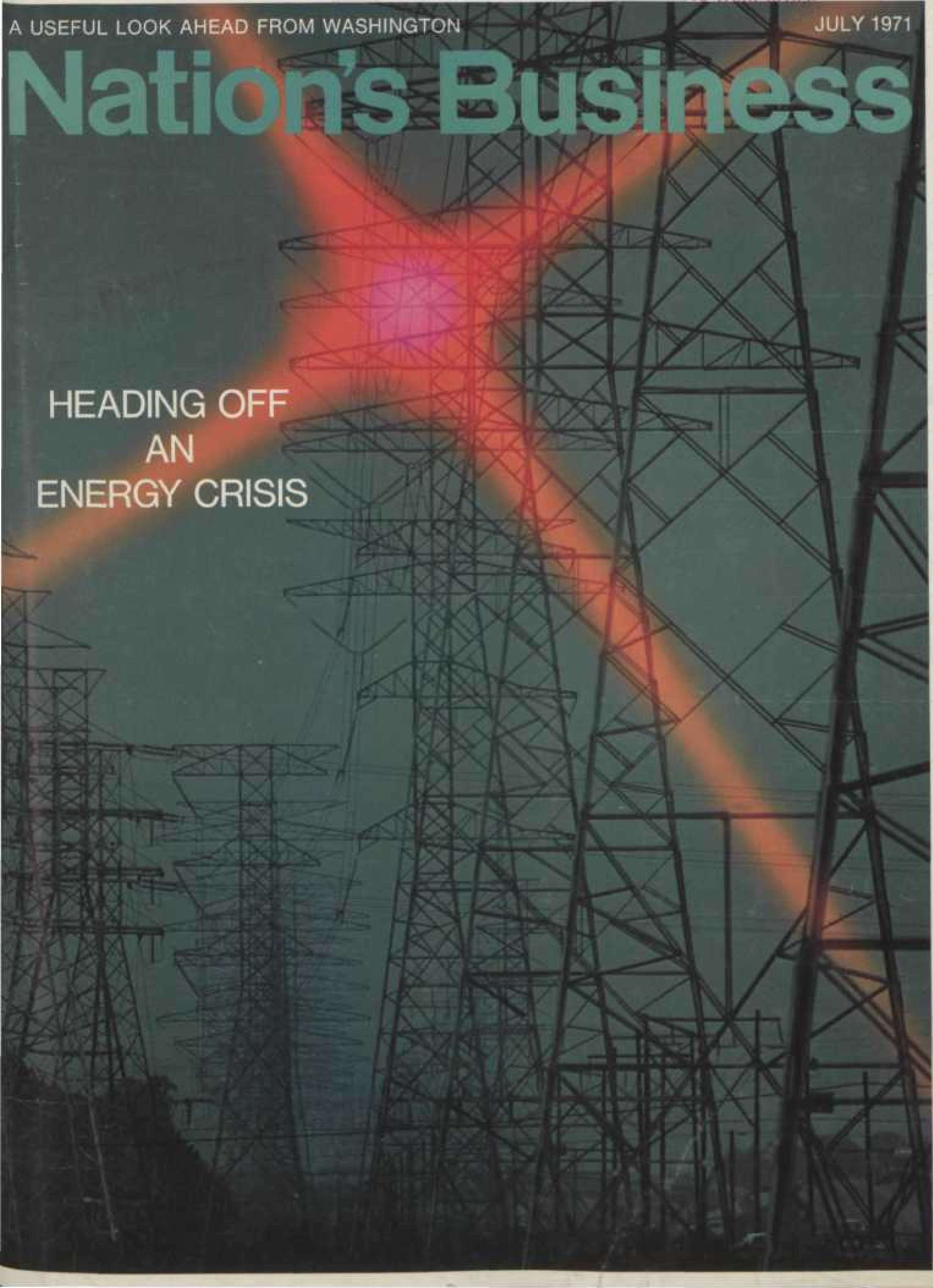
A USEFUL LOOK AHEAD FROM WASHINGTON

JULY 1971

Nation's Business



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Some of your trucks may be costing you an unnecessary $1000 a year. We say that because we've helped a number of fleets *save* that much per vehicle.

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We sell more by selling less.

Nation's Business

Cover photograph by Yoichi Okamoto

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PUBLISHED IN WASHINGTON, D. C., BY THE CHAMBER OF COMMERCE OF THE UNITED STATES, THE NATIONAL FEDERATION OF ORGANIZATIONS REPRESENTING MORE THAN FIVE MILLION BUSINESS AND PROFESSIONAL PEOPLE AND COMPANIES.

? May / "A Union 'Retiree' & Teacher"

You may learn more about insurance now that you have extra time on your hands.

Too few businessmen are aware of the value of a Business Interruption policy. Of those who are, and do buy one, too few really understand what they've bought.

What's worse, some don't even know that they don't understand it.

Few types of insurance raise so many questions after a loss has occurred. Few more clearly require professional guidance. To show you what we mean, consider the following:

What your policy means by "Gross Earnings" is probably not what your accountant means.

It is important at the outset to remember that the language of insurance is unique.

When the policy refers to such things as "gross earnings," "value of production" or "net sales," it may not mean what you think it means. What it does mean is clearly spelled out in the policy and in the worksheets.

The trouble is, few buyers read them carefully enough. But even when following the policy's specific formula there are still things you might miss.

For example, in arriving at "net sales," did you know that certain items of expense, such as incoming and outgoing transportation charges, may be eliminated to reduce the amount of insurance you need? Or that you may be able to deduct expenses like power, heat or gas, provided they do not continue during the shutdown?

Another critical point is the fact that the policy refers to earnings in the 12 months *following* the loss. This means that you should estimate your future business as accurately as possible. So it's wise to review your figures at least every 6 months.

Which employees get paid during a shutdown, and for what?

The standard Business Interruption policy covers all payroll expenses. Or you can get an endorsement to cover only "officers, executives, department managers, employees under contract, and other important employees."

Question: who decides what "other important employees" means? The general rule is, they're important if they're needed to resume business efficiently and without delay.

But only you, not the insurance company, can really know in advance who will be needed. It might be a knowledgeable clerk. Or even a whole class of employees.

So your safest bet is to clarify who will be important now. Before the loss. And in writing.

And what about all your other employees? How do you decide whether to cover them or not? And who makes the decision?

The questions are too complex to cover adequately in an ad. But here are a few things to think about.

Even if you cover ordinary payroll, you're not committed to paying it out. You could use part of that money as a cushion against a long shutdown.

Remember that employees not covered (or not paid), and who apply for unemployment benefits, might give your unemployment insurance rate a painful boost.

And that when your percentage of coinsurance is at about 80%, the rate excluding ordinary payroll may be a lot higher than the rate including it.

Still with us? How about this?

What if a fire had occurred at someone else's place?

Maybe you're vulnerable and haven't realized it. Do you depend on one supplier for a key item? Or on one customer for most of your sales? If so, what happens to you if something happens to *his* place?

What you should do first is build your defenses. Like locate alternate sources of supply. Consider stockpiling, making duplicate supplier tools—or even a reciprocal deal with a competitor.

Then, if you're still in danger, consider Contingent Business Interruption insurance. You can have it written to cover you against shutdowns either at your suppliers' premises or at your customers'.

Start by closely estimating how much your Gross Earnings would be reduced by damage at each of the locations you decide to cover. You can cover each separately, or get blanket coverage. Specify exact locations. If you list an office address and the loss occurs at a plant, you're not covered.

An interesting thought: insurance against power failure is also available. And it could be less expensive than buying stand-by electric generating equipment.

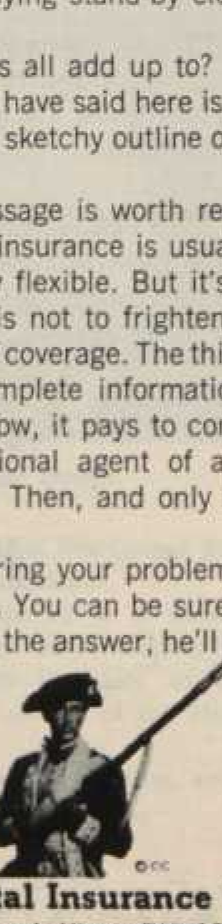
What does this all add up to?

First, what we have said here is just the tip of the iceberg. It is a sketchy outline of only a few of the problems.

The main message is worth repeating. Business Interruption insurance is usually necessary, and it's amazingly flexible. But it's complicated.

But the idea is not to frighten anyone away from a vital form of coverage. The thing that's scary is acting on incomplete information. No matter how much you know, it pays to consult a professional. A professional agent of a professional-minded company. Then, and only then, can you feel secure.

Feel free to bring your problem to your local Continental agent. You can be sure of one thing. If he doesn't know the answer, he'll find it for you.



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The Continental Insurance Companies

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Memo From the Editor

Nation's Business • Published by the Chamber of Commerce of the United States • 1615 H Street N.W., Washington, D. C. 20006

Most of the talk you hear about "welfare reform" comes from Washington.

As we've pointed out before, the kind of "reform" being proposed here is mighty strange—it would multiply the number of people on welfare and the cost of welfare.

Meanwhile, back in the states, where the welfare burden actually rests, some real reforms are taking place. Since Governors are the men who come face to face with the reality of financing welfare, many of them are also trying to put some reality into the state programs—as far as federal law will allow.

If you ask anyone what our nation's big problems are, chances are he'll mention welfare among them. So we thought you'd be interested in what the states are doing to help correct the situation on their own. *Nation's Business* surveyed the Governors and got a good response. You'll find a report on their progress in clearing up the welfare mess starting on page 58.

• • •

Most people would say we also have a problem with the environment. Well, that is so, but along with that problem is another, perhaps a more critical one. There is a real risk that we will have a serious energy crisis within our own lifetimes.

We've taken our bountiful supply of oil, gas and coal for granted for so long that it's hard to imagine what it would be like to have to do without some of our comforts, or worse yet, some of our necessities. Yet that is a possibility if we make the wrong decisions.

If we make the right decisions, however, we can head off such a crisis.

An in-depth report analyzing the situation and the needs for each of our major sources of energy starts on page 26. It's the result of many weeks of reporting by Senior Editor Sterling G. Slappey.

• • •

Solutions to another of our problems—foreign competition—are perhaps more controversial. Last February *Nation's Business* published a foreign trade discussion by a former government expert, generally favoring the ending of all protection for U. S. businesses.

Some industries disagree, however, at least at this time. We think that opinion deserves to be aired, too, so you will find an article starting on page 54 by Stewart S. Cort, Chairman of Bethlehem Steel Corp. He makes an excellent case for the steel industry's point of view.

• • •

If you are looking for the traditional patriotic feature in our July issue, it's on page 72.

A year ago some public spirited citizens including Dr. Billy Graham, Bob Hope, Hobart Lewis and J. Willard Marriott Sr. inspired the idea of designating July 4 as "Honor America Day."

The idea caught on. The day was celebrated with that theme in cities and towns across the country.

This year a similar celebration is taking place. The Chamber of Commerce of the United States joins in supporting this commemoration.

Mr. Booth

The feature on page 72 is a statement which should strike a spark in all real Americans. It's by Arch N. Booth, Executive Vice President of the Chamber and Honorary Vice Chairman of the Honor America Day Committee.

Happy 195th Birthday, Uncle Sam, and many more in the years to come!

Jack Wooldridge

Letters

A Blow at the Crown's Courts

• Appropriately indeed were the articles on the U. S. and U. K. judicial systems in your May issue entitled "views" ["Our Troubled Courts: Two Views"]. They certainly could not be described as facts.

Let us first agree that, as far as criminal law goes, any comparison of the two systems is absurd.

The British are subjects of a monarchy; the courts exist to coerce the people into conformity with the commands of the Crown. Grounds for appeal are hard to find, and it is not surprising that delays are few. And if the law requires that the taxpayer prove he paid the tax, not that the state prove he failed to pay, is it any wonder that few tax cases are fought?

What is highly significant is that your English contributor is able to tell us how long it took him to conclude his cases, but simply does not consider whether they were settled rightly or wrongly. There is no right and wrong against which the Queen may be tested.

One is aghast indeed to hear that the Chief Justice of the United States "speaks well" of the justice of the peace system (sometimes alleged to be the judgment-for-the-plaintiff system) since the justices are appointed by the Queen and cannot be removed by the people over whom she sets them—the exact opposite of government by (consent of) the people. Some courts in England have been known to harbor bias for, not years, but literally generations.

Since we had a revolution against this system, we may assume that it was less than satisfactory.

Under a republican form of government, the function of the judiciary is to protect the lives, liberty and property of the citizens. Since this function is necessary ("absolutely necessary," as John Marshall would so quaintly say), we naturally do not trust anyone to perform it; we have a Constitution to ensure that the government is one of laws and not of men. The courts of the states are required to abide by due process and to furnish equal protection of the law, and even the courts of the union have some limitations, *e.g.*, they are forbidden cruel and unusual punishments.

Your contributor apparently does not concede that the whole of the citizenry wants law and order, that law and order contribute to the general welfare and are (with the common defense) the whole function of government.

But he is compelled to admit that the courts are concerning themselves in questions which properly belong to the people, such as the rights and wrongs of consuming alcohol or drugs. Every lawyer admits that these are separate and distinct from law and order; crimes against other people's rights are called *mala in se*, crimes without victims are called *mala prohibita*. The reason the courts are staggering under a flood of cases is that the latter crimes create criminals out of honest men (a moment's thought will show that strengthening the police force results in more, not fewer, of the victimless crimes).

Your readers presumably are well aware that if all the laws purporting to make it a crime to pollute the environment are enforced, the price of necessities such as food and power will go sky-high and—even if there is not a bloody revolution—the whole world will starve to death in the next decade.

This being so, I hope they will find it useful to learn that, as soon as you make it clear to the enforcers that you know that a "regulation" contravenes the Constitution and that you are prepared to stand on your rights in court, the enforcers will stand on their heads to find a way to drop the case.

BRIAN W. FIRTH
Consulting Logician
Carson City, Nev.

Focus on deficits

• The editorial on federal spending in your June issue ["Blowing It"] is a good one. It is important, I think, to focus attention on this problem.

The figures you used undoubtedly

If You are a Young Executive We Invite You to Accept a Copy of Generation—FREE

generation is a monthly magazine edited for young executives. That's why we think you will be interested in seeing a copy free, and in subscribing after you see it, at a $3.01 savings!

Business is changing dramatically—new technologies, new methods, new opportunities—and you, the young executive, are in the right place at the right time to take advantage of it. That is, if you know what the changes are and avoid the mistakes other young businessmen have made.

generation is published to help young executives understand and adjust to today's business life. It shows you, with personal stories, what other men are doing. It examines the problems a man faces early in his business career, and it showcases the opportunities in business for young men.

For example, one issue told the story of Jerome Castle, 33-year-old president of the $300-million Penn-Dixie Cement Company—who believes that "Management Is Like Running Race Horses." In an age of decentralized management he breaks all the rules, runs a centralized one-man operation, and makes it work.

In the same issue, "The Decision Room" was an eye-opening report on a new management-information technique more and more companies are using to give their executives the facts they need to make intelligent decisions.

Recent issues have carried stories about:

. . . stress on the top men . . . how "Executive Shock" is reaching into middle management . . . and the disease of civilization is costing business far too much as executives fall by the wayside.

. . . corporate politics and whether "To Play or Not to Play" . . . the good side and the bad side . . . the way to use office politics constructively . . . for yourself and your company . . .

. . . and lots of other interesting and informative articles . . . like what's happening to franchising . . . consumerism and the business world . . . the executive compensation package and how it's changing.

generation is not a how-to-do-it publication. It never tells its readers what toothpaste to use, how to comb their hair, or gives them the 10 magic steps to the corporate pinnacle. More than 100,000 young executives read **generation** because it shows them business trends through the actions, thoughts, expectations, motivations and disillusionments of other young businessmen. We feature no puff pieces. The magazine reveals how things really are in business—not what they seem to be.

If you are under 40 and in management, engineering, or sales, chances are **generation** is written for you. **The best way to find out is to examine a copy without cost or obligation. We will gladly send you one if you fill out and return the Free Copy Reservation coupon below.**

At the same time, we will be most happy to reserve a one-year (10 issues) subscription to **generation** in your name. The regular price of **generation** is $9 for 10 issues. However, you can have 10 issues—including your sample copy—all for only $5.99, a $3.01 savings, simply by returning the coupon.

Among those 10 issues, you will receive three very special annual issues which by themselves, many businessmen tell us, are worth the price of the subscription.

First, **"The Employment and Salary Outlook"** issue, which contains a special survey of business that reveals what salaries will be paid in the coming year by more than 200 leading American companies for engineers, M.B.A.s, college graduates, salesmen, management people and others.

Second, an issue on **"The Emerging Corporations"** that tells, not about the top 500 blue-chip companies, but about the 300 younger, smaller, faster-growing companies that are emerging as the big winners of the '70s.

Third, an issue featuring a **"Guide for Start-Up Businesses."** It explains how and where to find sources of venture capital, discusses the future of franchising, tells what to look for when buying another company.

We think **generation** is a special kind of magazine and it is definitely written for a special kind of person. If you are a young executive confidently expecting bigger things in the years ahead, we believe **generation** will suit your life style, will shed interesting light on your problems and opportunities, and on the activities of your peers, the other men in business like yourself.

In short, we think you will find **generation** stimulating, interesting and exciting!

But that's for you to decide, after you look at your free sample issue.

To secure it and to reserve the next nine issues of **generation** for only $5.99, just fill out and return the Free Copy Reservation coupon to **generation**, 444 N. La Salle Street, Chicago, Illinois 60610.

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Send me a FREE copy of **generation** without cost or obligation. At the same time, reserve in my name nine additional issues of **generation** for only $5.99 ($3.01 less than the regular subscription price). After examining my FREE copy, I may return the invoice you will send marked "cancel." Otherwise I will pay only $5.99 and you will send me the remaining nine issues.

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Company Name

No. of Employees: ☐ less than 100 ☐ 100-499 ☐ 500-999 ☐ 1000 or more

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Please check the boxes which best describe your position and firm's activity.

MY JOB FUNCTION IS:

- ☐ Administrative
- ☐ Purchasing
- ☐ Marketing/Sales
- ☐ Data Processing
- ☐ Accounting
- ☐ Engineering
- ☐ Production
- ☐ Other

Please specify

MY FIRM IS ENGAGED IN:

- ☐ Accounting
- ☐ Communications
- ☐ Consulting
- ☐ Construction
- ☐ Data Processing
- ☐ Finance/Insurance
- ☐ Manufacturing
- ☐ Transportation
- ☐ Utilities
- ☐ Wholesale/Retail
- ☐ Other

Please specify

are for the unified budget, which includes the trust funds. It seems to me the federal funds receipts and expenditures are an even more important guidepost, since the trust funds are mandated and segregated.

I thought you might be interested in some figures I have developed along this line.

In a two-year period—the current fiscal year plus the next fiscal year—this government will have a federal funds deficit of at least $40 billion.

SEN. HARRY F. BYRD JR.
Washington, D. C.

A gulling situation

• Re your May editorial ["A True Fable for Today"], here's a case in point in addition to that of the trumpeter swans.

Some years ago we had a real problem in Florida, I believe, where gulls lived on the refuse from fish. The cannery closed and the gulls died by the thousands from starvation. Having been given largess for most or all of their lives, they were both unable to and unwilling to fend for themselves.

C. C. WHITTAKER JR.
Attorney
Whittaker and Sanders
Eureka, Kans.

Kudos for Lugar story

• The Dick Lugar story ["Self-Help and the Cities," June] is one of the best I've seen about our attractive, persuasive and productive mayor.

CARL R. DORTCH
Executive Vice President
The Indianapolis Chamber of Commerce
Indianapolis, Ind.

Peril and exaggeration

• For the most part, we are in complete agreement with the views of Dr Philip Handler, president of the National Academy of Sciences ["Exaggeration: The Other Pollution Peril," April].

There is one serious area of dissent, however. Dr. Handler has stated that compounds like malathion and parathion are highly toxic to man. Coupling two such compounds and inferring that their toxicity is of the same order of magnitude is a very grave disservice.

Malathion is one of the safest organophosphate insecticides known to man and has been used on a worldwide basis for almost two decades. Our company has two libraries which are charged with the responsibility of keeping us abreast of reports of toxicity alleged to have occurred as a result of exposure to malathion.

Other than ingestion with suicidal intent or by accident, we know of only one death which has occurred as a result of exposure to malathion, and that was of a young man in Florida who worked with the compound for three weeks while wearing only shoes, socks, and work pants and who did not shower at any time during that entire period. The other deaths that have been recorded are those of youngsters who drank malathion from containers other than the original ones; these were, usually, soda bottles unwisely used for storage purposes.

There is no question that parathion is a highly toxic agent. Animal toxicity studies have demonstrated consistently that the toxicity of malathion is only 1/150th to 1/250th that of parathion.

Dr. Handler also made the statement that "malathion and parathion . . . blinded . . . numbers of people in 1970." There is no evidence that these agents have ever caused blindness in humans, or experimental animals. This is even true of those persons who recovered after attempting suicide by drinking large amounts of malathion.

My purpose in writing this letter is to allay any concern which people may have regarding the use of malathion, which when employed according to directions has *never* produced any evidence of toxicity.

ROBERT M. CLYNE, M. D.
Corporate Medical Director
American Cyanamid Co.
Wayne, N. J.

• A loud "hurrah" to Dr. Handler for his reasonable approach to today's "mind pollution" problem. This rational type of thinking should have a quieting effect on the hysteria being created by a very loud, vocal minority in the United States.

JOHN E. COOPER JR.
Manager, Advertising and Publications
Delmarva Power & Light Co.
Wilmington, Del.

Executive Trends

BY JOHN COSTELLO
Associate Editor

- The funny business
- Pitfalls abroad
- From catalog to cassette
- Coping with college costs

Making a bundle from boffos

Why do people have accountants do their income tax?

Because it saves time. Maybe 20 years.

If you've heard that crack lately, chances are you were listening to a client of Robert Orben. His business is supplying clients, most of them businessmen, with jokes.

Like Jimmy Durante, Mr. Orben has a million of 'em.

For instance, these SST gags:

- I'm glad Congress didn't vote on building the Empire State Building. It would have been a duplex.
- Maybe the SST's critics are right and it is too dangerous. Look what it's doing to Seattle.
- By way of consolation, there's a rumor that Congress may fund a subsonic transport. It'll fly 42 miles an hour, have a rumble seat and stop for school buses.

There are bucks in yaks, this former comedy writer for headliners Red Skelton and Jack Paar has found. He's president of The Comedy Center, Inc., New York. It publishes a four-page letter 24 times a year. Each issue contains about 60 jokes, mostly one- or two-liners.

"The American business community provides more work for professional comedy writers than show biz," Mr. Orben says.

"Fewer than 200 comedy writers are employed in New York and Hollywood feeding humor to TV, movies and nightclub comics.

"But every large ad or public relations agency has at least one writer whose chief job is humor. He supplies it for speeches, press releases, sales talks or even ads."

Mr. Orben's company was started in 1958 to supply entertainers. But later it switched to the business market. Now it has more than 1,000 corporate clients.

"When was the last time you heard a speaker," Mr. Orben asks, "who didn't sprinkle his text—or introduction—with rib-ticklers?

"There's no better way than a laugh to bridge the gap between strangers."

At least one third of all radio and TV commercials, he adds, are meant to be funny.

"Humor in business," he says, "is a serious business."

How to make mistakes abroad

It's easy, one expert says.

Here, he says, are the false assumptions firms most often make when they go multinational:

- Target audiences are the same everywhere.
- Distribution and control channels are the same as at home.
- U. S.-type activities are legal—or politically expedient.
- Timetables the same as ours are feasible.
- Costs are comparable.
- Facilities like those in the U. S. exist and are available.

These assumptions "are simply not true," says Dan Seymour, president, J. Walter Thompson Co., writing in a recent issue of *Public Relations Quarterly*.

But, the advertising executive adds, lick the problems that overseas operations present, and before you stands "the greatest marketing opportunity any of us will ever see in our lifetime."

They're not tightwads

Corporate profits skidded last year.

They went from $85.5 billion in 1969 to $78.5 billion in 1970.

But the profit pinch didn't crimp corporate giving.

Last year, U. S. firms chipped in an estimated $900 million to a host of good causes. That equals the record,

set a year earlier, says the latest edition of "Giving USA" ($1, American Association of Fund-Raising Counsel, Inc., New York).

Despite a 10 per cent decline in corporate profits, it notes, corporate philanthropy stayed on the same high plateau.

It estimates that of every $1 given by corporations, 39 cents went to education; 37 cents to health and welfare, 7 cents to civic causes; 5 cents to cultural groups; the rest to a variety of causes.

That adds up to a costly chunk of corporate responsibility.

One businessman explains that philanthropy "is now expected of us. And if we fail to accept this responsibility, we will lose much of the public's confidence in the value of our private enterprise system."

Keeping current on Capitol Hill

Wonder what Rep. Wilbur D. Mills has just done about taxes?

Or how much Sen. Harrison A. Williams Jr. now hopes to hike the minimum wage?

Sure, you may find out by carefully searching your daily paper. But sometimes executives are too busy for that.

There's one handy way to keep current on what Congress is up to on a day-to-day basis. Call 202-223-0580. That's the number of Washington Dial, a three-minute report on the latest doings on Capitol Hill.

This summary is recorded daily in Washington by the Chamber of Commerce of the United States. For the price of a station-to-station phone call, you'll get a good capsule comment on what's going on in Congress.

You may be able to hear it on your local radio station. Some stations record the report and use it in their news programs.

Maybe you'd like to let your employees get the word from Washington, too. It makes a good up-to-the-minute item for company bulletin boards.

The coming revolution—in marketing

"Cassettes won't just show movies. "They'll sell BVD's."

It's part of the marketing revolution, says expert Lawrence G. Chait.

"The video cassette will play a role in all fields of entertainment and education," adds the chairman of Lawrence G. Chait & Co., Inc., New York.

"But it will also be used by mail order firms as a substitute for the printed catalog.

"You'll find advertisers of every type and description will provide their customers with video cassettes covering full product lines."

Speaking at the Third International Direct Marketing and Mail Order Symposium in Switzerland, Mr. Chait told his audience:

"In the past, most of us in direct marketing have thought of our media as primarily direct mail. That's less true with each passing day."

Mr. Chait, president of the new Association of Direct Marketing Agencies, had this warning: "Staying in a rut is the surest road to ruin."

The future, he predicted, belongs to the innovators.

To meet those college costs

Say your name's Leavenworth. And you have a son who wants to go to Yale. Then you're both in luck.

Back in 1882, Elias W. Leavenworth, a Yale alumnus, established a fund to help pay the tuition of anyone with the same surname who is Yale-bound.

Applicants must also be of "good character and promise and in good

standing in the academic department."

Last year, no one applied. "In fact, very few have in recent years," a Yale University spokesman says.

The Leavenworth fund is only one of many sources of financial aid for college students. But finding them isn't always easy.

Now a new service, called Scholarship Search, will help for a $20 fee. It has more than 12,000 possible sources of financial aid in its computer data bank. Many are available to students who want to pursue careers in specialized fields. Others are for people, like Leavenworths, who fit a very special set of qualifications.

Much aid, of course, comes from local, state or federal funds. Other sources are foundations, fraternal organizations, unions, corporations and colleges and universities themselves.

This year, some 40 banks are offering the service in their areas. Among them are the Wells Fargo Bank, San Francisco, Calif.; Merchants National Bank, Mobile, Ala.; the St. Joseph Bank and Trust Co., South Bend, Ind.; and The Broad National Bank, Newark, N. J.

It's also available through Scholarship Search/IMS, Inc., New York, N. Y.

"We'll promise to find at least 10 possible sources of financial aid for everyone," a spokesman says. "Otherwise, we'll refund our fee."

It takes a week to 10 days to match up each applicant with possible sources of aid. A print-out of them, with hints on how to apply, is mailed directly to the applicant's home.

Parents will evidently need all the help they can get.

"In the last five years," Life Insurance Agency Management Association says, "state college costs have gone up 25 per cent. For private colleges, the increase was 30 per cent."

In the same period, LIAMA adds, the general price index has gone up 24 per cent.

Here are some preliminary figures from its latest annual survey of college charges. These are prestige schools, private and state, from a cross section of the country:

	Tuition and fees	Room and Board
Yale	$2,900	$1,500
Harvard	$2,800	$1,670
Princeton	$2,800	$1,460
U. of Michigan	$ 568[1]	$1,236
U. of Virginia	$ 537[1]	$1,100
Smith College	$2,500	$1,400
Antioch College	$3,120	$ 842
Northwestern U.	$2,700	$1,250
U. of Oklahoma	$ 430[1]	$ 880
Reed College	$2,810	$1,050
Knox College	$2,655	$1,295
U. of S. Calif.	$2,200	$1,250

[1] *For state residents. Tuition and fees for out-of-state students: University of Michigan, $1,232; University of Virginia, $847; University of Oklahoma, $660.*

"Over-all college costs will go up about 8 per cent this year," a LIAMA spokesman says.

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PANORAMA of the nation's business

By VERNON LOUVIERE
Associate Editor

Hawaiian Bank Gets Behind the Badge

First Hawaiian Bank is telling everyone that Honolulu policemen do dirty work, but the police don't mind; they give its messages a clean bill of health.

The bank has underwritten a hard-hitting $35,000 advertising campaign to attract recruits to the 1,400-man Honolulu police force. It has bought newspaper space and television time with a series of messages aimed at youth. The messages are sprinkled with words like "pig" and "cop."

A simple theme underlies the recruiting campaign—being a policeman is "the toughest, dirtiest, most satisfying job in town."

In April, when the program was only 10 weeks old, Honolulu Police Chief Francis Keala reported it had prompted 1,179 inquiries and 686 actual job applications. "The response is better than we ever dreamed," he says. "We had only 640 applications during all of 1970."

"Try rescuer," the small print urges. "Crime fighter. Doctor. . . ."

Not only have all vacancies been filled with highly qualified applicants, he reports, but the department has built up a pool of potential recruits that can meet the city's needs for many months to come.

"And it's been a terrific image-builder," Chief Keala says. "We've had many favorable comments from people who say they now have a higher regard for the policeman and the work of the Police Department."

First Hawaiian President John Bellinger explains the bank's role in the campaign this way:

"We've been good citizens of Hawaii since 1858, and we're concerned about our community. It's nothing more than a citizen—in this case a corporate citizen—contributing his resources to help solve a community problem.

"The campaign's success lies in its straightforward approach.

"Police work is neither glamorous nor easy, and we're not saying that it is. On the other hand, there is no question that it is challenging and exciting.

"We're aiming the campaign at youth—the kids of today who demand that you tell it like it is. That's exactly what we're doing."

Southern's System for Using the Computer

When W. Graham Claytor Jr. was asked to approve purchase of a $10.2 million computer for the Southern Railway System he simply scrawled across the request form, "O. K."

Mr. Claytor, president of Southern, was not, however, casually spending that much of his company's money on a new corporate toy. He was steeped in computer knowledge.

Determined that his vice presidents would be equally knowledgeable in working with computers, he sent seven of them to the International Business Machines Corp. computer school in Endicott, N.Y. He went, too.

John L. Jones, Southern vice president for management information services, says the resulting top-level executive understanding has had much to do with successful use of the computer by the railroad. Its vice presidents, he adds, "are better able to request what they want on the computer. They're not afraid of the computer; they realize it is simply a tool."

Southern has about $50 million invested in a combination computer center and microwave radio communication setup in Atlanta which serves its 10,200-mile system. Although it is not the only railroad using computers, it is generally acknowledged to be a leader in the field.

Principally, Southern uses the computer in locating and routing its 72,000 freight cars. Mr. Jones estimates this has saved millions of dollars in per diem payments—the rentals railroads pay one another for using their freight cars. Southern has converted losses on car rentals—$8 million in 1967—to a profit: $4 million last year.

Also, Southern has used the computer to develop an "obstruction profile" of its entire system. When the railroad accepts an odd-sized shipment from a customer it must know whether the shipment can get by bridges, tunnels and even tree limbs.

"Now," says Mr. Jones, "instead of having three to five engineers looking over drawings for several days, we can clear the problem in a day."

continued on next page

Chemists Produce a Change in Students

Stauffer Chemical Co. operates a laboratory within a laboratory at its Western Research Center in Richmond, Calif.

In the one it produces chemicals and in the other it turns out youngsters with a new appreciation for the practical side of education.

During each school semester, 20 youngsters from nearby Portola Junior High attend weekly learning sessions at the research center, on the invitation of 20 Stauffer chemists. The students, all from disadvantaged backgrounds, are given contact with the practical world of science and industry and a glimpse of how learning can benefit them personally.

Says John Scharetg, the school principal: "There has been a significant change in the students who have participated—a change in the way they look at school and in their attitudes toward teachers. They need motivation and these meetings help provide it."

A similar view is voiced by Robert Greer, coordinator of the program:

"The kids don't really understand the importance of education, but after talking to a chemist it becomes relevant. And if there's anything these kids 'dig,' it's relevancy. One boy wanted to know how much money chemists make. He was told what starting salaries are for chemists and chemical engineers, so he would appreciate the cash value of an education. He got the point."

Because an important objective of the program is to establish personal relationships, each youngster is taken under the wing of one Stauffer chemist. From then on, what each child learns is governed by his individual ability and interests. Often, the chemists help their young charges with specific classroom homework problems.

The Stauffer program was launched by employees with the aid of the California section of the American Chemical Society and the Richmond Engineers Club.

"I think the credit for this program's success has to go to the individuals involved," says Dr. Donald S. MacIver, director of the research center. "This is strictly a volunteer project. We encourage it, and we make our facilities available, but the tutors make the program work."

A student measures liquid under the tutelage of a Stauffer chemist.

Aid for the One in Four Who Can't Read Well

Twenty-five million job holders in the United States do not read well enough to progress beyond their present levels of unskilled work.

Five million young adults seeking employment for the first time will be denied jobs requiring even limited knowledge because they cannot read properly.

Some 18.5 million adults cannot read well enough to fill out "survival forms"—applications for Social Security, drivers' licenses, Medicare, bank loans and the like.

All this in a country which spends more money on education than the rest of the world combined.

Walter W. Straley, vice president for environmental affairs for the American Telephone and Telegraph Co., has been handed the task of trying to correct this serious national shortcoming. President Nixon asked him to head up the National Reading Council, which is composed of businessmen, industrialists, educators and others.

When Mr. Nixon established the Council last summer he set as a goal the end of this decade for the improvement of reading skills. Mr. Straley promptly reset the date to 1976.

The AT&T executive is no stranger to the problem. Not long ago he was a member of the New York City Board of Education and learned about reading deficiencies firsthand.

"Perhaps one of every four Americans can't read well enough to get their full 'shot' in our society," Mr. Straley says. "If this be so, there are three people in four who can read pretty well. Suppose half of those 'reading' people could teach somebody else how to do it?"

He is not impressed with the argument that this would require a lot of training and teaching aids, and might even interfere with the educational process.

"Let's lay all that aside . . . and just bear in mind that there might be 75 million people who could teach another person how to read," he says.

Inadequacy in reading is a costly affair.

More than six million functionally illiterate persons account for an aggregate annual personal income deficit in the U. S. of \$25 billion, the National Reading Council estimates. It costs taxpayers \$1.7 billion a year for the children (one in 20) who have to repeat a grade because of poor reading skills.

And businessmen pay an incalculable price for their employees' lack of ability to follow simple written instructions.

Sound Off to the Editor

Are We Better Off Than We Were 25 Years Ago?

Twenty-five years ago, in a famed speech at Fulton, Mo., Winston Churchill warned us to keep our guard up because the millennium had not arrived. An "iron curtain" had come down in Europe, he said, and behind it lay grave danger to the world peace so recently won.

This year, Sir Winston's granddaughter, Arabella, resigned as queen of the International Azalea Festival because the Norfolk, Va., affair honors the North Atlantic Treaty Organization. "What is facing us all now is the final curtain," she said. "I cannot support the idea of one nation inducing another nation to see its point of view by force of arms."

Miss Churchill, who is 21, is English, but her break with her distinguished forebear's attitude on national defense is symbolic, perhaps, of one of the major ways things have changed for Americans in the past quarter century. Many a young American rebels in similar fashion against his elders' standards.

Yes, things have changed. Have they changed for better or for worse?

Since 1946, our economy has soared. Gross national product then: $208 billion; last year: $976 billion. Per capita income then: $1,264; last year: $3,900. A dollar today, of course, is worth less than half a 1946 dollar, but real growth has been tremendous. In constant dollars, the GNP has gone up 131.6 per cent.

Meantime, ingenuity in the business community and elsewhere has revolutionized our ways of life with new or improved products and techniques. Television, home air-conditioning, jet air travel, advances in medicine, entry into outer space . . . the list could go on and on.

There have been radical changes in the status of minorities, in where we're apt to be living (i.e., the mass migration to the suburbs) and in some political patterns. There are far more of us to practice the new life styles—population has jumped from an estimated 141 million in 1946 to over 205 million.

And then there's the aforementioned unrest among the young; the drugs; the sexual permissiveness; the hullabaloo over pollution; the crime in the streets. . . . Twelve per cent of people surveyed in a recent Gallup Poll said they'd like to emigrate.

On the international scene, there's the war in Southeast Asia, the growth of Red China's power, the on-again-off-again thaw in the Cold War with the Russians. . . .

Few lists of the most significant changes in the past quarter century, and few assessments of whether those changes' effects are harmful or helpful, would be identical.

Think it over for yourself.

Are we better off today than we were 25 years ago?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Are we better off than we were 25 years ago? ☐ Yes ☐ No

Comments: ....

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Name and title..............................

Company..............................

Sound Off Response

Who'll Regulate the Regulators?

"Never!" said W. M. Boyce, president, the Fiberfil division, Dart Industries Inc., Evansville, Ind.

"Absolutely not!!!!" wrote Robert Callahan, president, Air Temperature Inc., Yuma, Ariz.

"No, No, No," was the comment of W. H. Allen of Allens Autohaus Inc., Fargo, N. Dak.

Those forceful replies were typical of the overwhelmingly one-sided response of NATION'S BUSINESS readers to the June "Sound Off to the Editor" question, "Should federal agencies have court powers?"

Those answering No outnumbered the Yes voters nearly 15 to 1.

Opponents of court powers for regulatory agencies did so generally on the grounds that no government agency should have combined powers of prosecutor, judge and jury; that such agencies are too subject to political pressures and frequently are anti-business; and that allowing them to establish broad rules and regulations is an unconstitutional abdication of Congress' responsibility to legislate.

The minority argued for the most part that courts are so congested that regulatory agencies with strong powers are needed to assure prompt action, particularly where pollution problems are involved.

But many readers said the answer in that case is to eliminate congestion in the courts, not bypass them.

O. R. Slauson, vice president and general manager, Ray-O-Vac division, ESB Inc., Madison, Wisc., wrote:

"If we would spend, on updating our court system, anywhere near the money we are spending on regulatory agencies, we could eliminate delays. The Congress and/or legislatures should make the laws. The courts should interpret them."

Harold E. Rudel, director of administrative services, Sun Oil Co., Dallas, Texas, said "decisions by federal agencies tend to reflect the philosophy of the political party in power. Courts are less apt to do this due to the tenure of the judges. Also, the courts usually are manned by experienced and qualified attorneys."

Mike Sougstad, account executive, Kerker & Associates Inc., Minneapolis, Minn., said that "one of the very few legitimate functions of any government is to provide for the protection of individual rights. A federal agency cannot objectively regulate, judge and prosecute any more than an individual can. A trial in a court of rational laws is mandatory for individual freedom."

On the other side of the argument, Hugh H. Graham Jr., secretary-treasurer, The Gallipolis Savings and Loan Co., Gallipolis, Ohio, said federal agencies should have court powers "especially in the environmental field. Large companies are taking advantage of the logjam in the courts and continue to pollute knowing that, to them, 'time is money.'"

"We can't load too much more on our courts," said H. R. Prowell, of Prowell, Stoner & Kusic, Harrisburg, Pa., attorneys. "Administrative tribunals can be effective if they are manned by properly trained officers insulated from the bureaucracy whose cases they hear."

Here are other samples of the majority viewpoint:

• William L. Armstrong, president, Armstrong Chemical Co., Denver, Colo.: "What kind of a system is this when a federal agency has the power to interpret the law, investigate, hold court and sentence? The question is why do we put up with it?"

• H. Charles Korn, an attorney in New Orleans, La.: "To grant injunctive powers to bureaucrats is to invest them with invincibility. There would be no safety factor to protect their victims from their arbitrariness, vindictiveness and biased zeal. Under our present system, at least in theory, the citizen is supposed to be able to procure due process. . . . To make the protagonist the arbitrator and umpire is to overwhelm the unfortunate."

• William C. McFarland, executive director, Venice Area Chamber of Commerce, Venice, Fla.: "Every time a government agency has court powers, it abuses them. Rarely is there recourse. This is not the American way."

• Hugh H. Barton, president, Barton's Air Traffic Control Specialists, Inc., Medina, Ohio: "I do not want a member (probably prejudiced) of the Equal Employment Opportunity Commission or any other federal agency to assume any more control over my life than they now have. In fact, they could relinquish some."

• Donald R. Nelson, vice president and general manager, Radio Station KXLE, Ellensburg, Wash.: "We don't need any more commissars in D. C. running our lives and our businesses."

• Lester Wright, assistant secretary, Bartlett-Collins Co., Sapulpa, Okla. "The powers given to the regulatory and enforcement agencies, in my opinion, violate our Constitution and enable the federal government in some cases to blackmail businesses and individuals."

• David R. Flebbe, Midwest Employers Council, Inc., Omaha, Nebr.: "It has been demonstrated on numerous occasions that decisions of federal agencies are frequently biased and politically motivated to the complete disregard of those freedoms supposedly protected by constitutional safeguards. To permit more federal agencies to be established as both prosecutor and judge removes the safeguards against self-interest prosecution. . . ."

• K. E. Burford, treasurer, Burford Auto Finishes, Santa Ana, Calif.: "Let us have due process of law, not by fiat of some possibly misguided individual who is blind to but one side of a problem."

• William A. Reichow, president, Ruskin Manufacturing Co., Grandview, Mo.: "I am against giving so much power to any federal agency."

• Summed up Raymond W. Johnson, owner of the Capital Realty Co., Juneau, Alaska: Placing court powers in the hands of regulatory agencies would "deny every citizen of our country the right of due process under the law."

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Henry W. Bloch, president, H & R Block, Inc., Kansas City, Mo., says: "With the war in Viet Nam gradually being phased out I look for an increase in our economy during the last quarter." He anticipates no "major change" in his firm's prices for its tax preparation services.

Nation's Business • July 1971

QUARTERLY OUTLOOK SURVEY

Up–but How High?

Executives who are downhearted about the economy are few—and so are those who see more than a modest, gradual rise by the year's end

The economic recovery from the protracted downturn of 1969–70 is gaining steam, and the issue now is: How fast will the recovery be, and how far will it go?

Five out of every six company chairmen, presidents, senior vice presidents and economists who took part in the thirty-ninth NATION'S BUSINESS outlook survey say definite improvement is being made. But their predominant view is that the recovery won't go spectacularly far or fast in the final months of 1971.

In all, 512 company executives responded to a series of questions asked in the survey, though not every executive answered every question. Here's how they line up:

Question 1: *"What do you believe will happen generally to the nation's economy in the last quarter of this year?"*

Four hundred thirty-one say the economy will continue to improve, 20 look for a downturn, 39 say the economy will hold steady or level off, and eight comment only that inflation will continue.

Question 2: *"By what percentage do you expect sales or volume of your business to change during the last quarter of 1971 as compared with the last quarter of 1970?"*

Four hundred twenty-four see increases of some size, with the bulk putting them in the 4 to 10 per cent range. The most quoted percentage is 10 per cent, predicted by 105 participants. Another 31 foresee a 20 per cent jump. Forty-one think business volume will remain the same, and only 35 see any sort of decrease.

Question 3: *"By what percentage do you expect prices of your product or services to change during the last quarter of 1971 as compared with the last quarter of 1970?"*

"Increase" answers outnumber "decrease" answers 363 to 24, with most

Har

William S. Cashel Jr., president, The Bell Telephone Co. of Pennsylvania, Philadelphia, looks for "moderate economic recovery, current dollar growth in GNP of $9 billion, unemployment rate about 5 per cent," in the October quarter.

executives predicting rises of from 3 per cent to 10 per cent. Another 114 see a leveling off.

Question 4: *"By what percentage do you expect your profits to change during the last quarter of 1971 as compared with the last quarter of 1970?"*

Higher profits—10 per cent and 5 per cent are the most frequently given figures—are expected by 332. Lower profits are forecast by 53, and 96 see profits remaining about the same.

Question 5: *"By what percentage do you expect your company's total corporate spending on capital improvements to change during the last quarter of 1971 as compared with the last quarter of 1970?"*

Two hundred forty-five see no increase or decrease, while 146 see increases—generally small. Expecting a decline are 106 executives—most of them putting the drop at between 20 and 100 per cent.

Of those predicting an increase, 40 look for a 10 per cent boost and 17 for a 5 per cent boost—the two most frequently cited figures. Of those foreseeing a decrease, 14 expect a 10 per cent cut and seven a 5 per cent cut. Another 10 look for a thumping 20 per cent reduction and 32 predict cuts in the 31 to 50 per cent range.

Question 6: *"By what percentage do you expect your labor costs, including fringe benefits, to increase in 1972 as against 1971?"*

No one seriously expects labor costs to go down while 487 see increases. Three expect labor costs to remain the same. The vast majority estimate labor cost rises in the 3 to 10 per cent bracket, with 6 per cent the single most commonly given figure.

T. J. Barlow, president, Anderson, Clayton & Co., Houston, says business in general is going to be "good" in the last quarter but "maybe not as good as in the second quarter of 1971." At his own firm, he sees better profits and slightly higher prices than in the final 1970 quarter.

The seventh question, *"What are the major factors affecting your business—for better or worse?"* brought detailed answers which give an insight into the thinking of some of America's top businessmen.

In the "for worse" category, high cost of labor and/or low productivity is mentioned by 89 respondents, overall problems with unions by 15, an incompetent labor force by four and a labor shortage by four.

Inflation and the cost-price squeeze is cited by 116, with cost of materials and construction particularly mentioned.

Federal monetary policies are cited by 59, general economic conditions by 77 (and unemployment levels by 13), and slow capital goods expenditures—particularly for construction—by 46.

Government restriction is mentioned by 29, and decreased government spending by 17.

Among other factors mentioned: consumer attitudes (30), ecological concerns (19), foreign competition (36), domestic competition (12), farm economy problems (10) and problems with raw materials availability (18).

One executive cites "bad management."

Some of the same factors show up in the "for better" category that are in the "for worse" answers. Twenty-one executives cite general business conditions as favorably affecting their companies, 23 cite a higher rate of construction activity and 12 mention lower interest rates—which, of course, stem from federal monetary policies.

Among other factors cited are demand for product (26) and, in lesser numbers, stock prices, technical developments, diversification, consumer confidence and population growth.

Six executives cite good management.

Nothing spectacular

Few executives, in their answers to the survey's first question, see a dramatic upturn in the nation's economy in the year's last quarter. "Slow" or "gradual" or "moderate" are typical of the descriptive words they use.

Samuel S. Greeley, president, Masonite Corp., of Chicago, forecasts "continued gradual improvement."

Henry Hunter, a vice president of Olin Corp., of Stamford, Conn., predicts "continuing moderate real growth."

Also not seeing anything spectacular just yet is Raymond French, president, Canal-Randolph Corp., New York City. However, he thinks that there will be a pickup in the recovery's speed very late this year,

John J. Higgins, vice president and treasurer, Hawaiian Airlines, Inc., Honolulu, says his company has been affected by "economic conditions" which cut vacation and business travel. However, he expects a 5 per cent volume hike over last year's fourth quarter.

Up—but How High?

continued

and that there may be spectacular growth in 1972.

One of the fuller answers to the first question comes from J. W. McSwiney, president, The Mead Corp., of Dayton, Ohio. He writes:

"The economy in the last quarter will be operating at a higher level, stimulated by the actions of the present Administration, which cannot afford to allow the current level of economic activity to carry into an election year. However, prices will be up and although inflation may be slowed, it will not be halted. In addition I believe the consumer will have come out of his lethargy by that time and will add to the demand level for goods. A steel strike, if it comes, should be settled before the start of the last quarter."

Edwin L. Cassady, president, Indianapolis Power & Light Co., also comments on the possibility of a steel strike. Assuming there is no strike, he says, "the economy should continue to pick up at an accelerating rate in the fourth quarter. If there is a long steel strike, the rate of growth of the economy will subside in the fourth quarter."

Looking into 1972 is Tilden Cummings, president, Continental Illinois National Bank & Trust Co. of Chicago, who writes: "By the last quarter of 1971 I would expect the economy to be on a rising course with a well-balanced expansion and further progress made against inflation. The economy should be poised for what should be good growth in 1972."

R. A. Weller, president, Otis Elevator Co., New York, sees little cause for enthusiasm. The economy, he writes, will "remain approximately the same, with increase in activity being negated by increase in inflation."

Volume: modest rises

The rises in volume over last year's final quarter which executives predict for their companies carry out the mildly favorable motif. A sampling:

John W. Barriger, chief executive officer, Boston & Maine Corp., Boston, sees a modest 4 per cent increase; J. F. Nash, trustee-chief operating officer, Lehigh Valley Railroad Co., Bethlehem, Pa., 5½ per cent; A. C. Nielsen Jr., president, A. C. Nielsen Co., Chicago, 6 per cent; J. T. Ford, vice president–finance, Chesapeake & Ohio/Baltimore & Ohio Railroads, Cleveland, 7 per cent; C. B. Sherman, president and principal administrative officer, Houston Lighting & Power Co., Houston, 8 to 12 per cent; and Lee R. Forker, board chairman and chief executive officer, Quaker State Oil Refining Corp., Oil City, Pa., 8 per cent.

Also, D. W. Reeves, board chairman, Public Service Co. of New Mexico, Albuquerque, 8 per cent; Philip B. Hamilton, president, Dennison Manufacturing Co., Framingham, Mass., 8 to 9 per cent; A. M. Smith, president, The Davey Tree Expert Co., Kent, Ohio, 10 per cent; Eli Goldston, president, Eastern Gas and Fuel Associates, Boston, 15 per cent; and H. Thomas Hallowell Jr., chairman, Standard Pressed Steel Co., Jenkintown, Pa., 15 per cent.

But Gen. Edmund C. R. Lasher, chairman and chief executive officer, North American Car Corp., Chicago, sees a 25 per cent increase, and W. T. Piper Jr., chairman, Piper Aircraft Corp., Lock Haven, Pa., forecasts a 60 per cent jump.

On the other hand, Sam F. Davis, president, Tampa Ship Repair & Dry Dock Co., Inc., Tampa, Fla., sees a 25 per cent decrease in company volume of business.

A sampling of executives who expect their firms' prices will rise, and the percentages of increase over the final quarter of 1970 that they predict:

Charles E. Hayworth, president, Alma Desk Co., High Point, N. C., 3 per cent; Alfred L. Seelye, chairman and president, Wolverine World Wide, Inc., Rockford, Mich., 3 to 4 per cent; William F. May, chairman and president, American Can Co., Greenwich, Conn., 12 per cent; and D. S. Guild, president, Hawaiian Telephone Co., Honolulu, 11.2 per cent.

Among those forecasting decreased prices of services or products are Knud Sorensen, president, Plumrose,

Han

John E. Reeves, chairman, Reeves Brothers, Inc., New York, expects his textile firm's volume will be 7 per cent higher than it was late last year "due to fuller utilization of our productive facilities." He sees "some general improvement" in the nation's economy.

Hare

Curt R. Strand, president, Hilton International Co., New York, says: "The economy appears to be turning up now, and I believe the uptrend will be stronger in the last quarter." He looks for a 5 to 7 per cent boost in his company's volume over the final months of 1970.

Har

C. R. Walgreen III, president, Walgreen Co., Chicago, says the general economy will be "stronger," and furthermore, his own retail drug chain expects a healthy 10 per cent increase in volume over the last three months of 1970. Its prices, he adds, will be 2 to 3 per cent higher.

Inc., Springfield, N. J., 7 to 8 per cent; Milton F. Darr Jr., chairman, LaSalle National Bank, Chicago, 10 per cent; Francis N. Southworth, president, Concord National Bank, Concord, N. H., 10 per cent; and Edward H. Ould, chairman and president, The First National Exchange Bank of Virginia, Roanoke, 15 per cent.

In the black

The profit picture is generally bright, in comparison to last year's last quarter.

Ross D. Siragusa Jr., president, Admiral Corp., Chicago, avoids being specific, writing only that Admiral will "go from a red figure to black."

John C. Emery Jr., president, Emery Air Freight Corp., Wilton, Conn., is optimistic: He looks for 25 per cent profit improvement.

John N. Hart, group vice president-finance, The B. F. Goodrich Co., Akron, Ohio, writes: "The company sustained a loss in this [fourth] quarter in 1970; substantial earnings are forecast for these months in 1971."

Louie P. Lathem Jr., president, Lathem Time Recorder Co., Atlanta, Ga., hedges his estimate of a 10 per cent profit rise by writing, "This may be very optimistic, and is based on the hoped-for business improvement. It also depends on making every effort to hold overhead in line."

Others expecting about a 10 per cent improvement in profits include: Louis F. Danforth, senior vice president and economist, The Liberty National Bank & Trust Co., Oklahoma City, Okla.; E. A. G. Manton, chairman, American International Underwriters Corp., New York City; and Daniel B. Keane, assistant treasurer, Land O'Lakes, Inc., Minneapolis.

Donald E. Noble, president, Rubbermaid Inc., Wooster, Ohio, expects 12 per cent better profits. Dr. W. F. Bauer, president, Informatics Inc., Canoga Park, Calif., a computer software concern, looks for a 100 per cent improvement.

Douglas Sloane IV, senior vice president and treasurer, Towle Manufacturing Co., Newburyport, Mass., is concerned about uncertainty in the silver and copper markets (his firm turns out silverware) and high increases in state and local taxes. However, Mr. Sloane is a bullish prognosticator and looks for a "strong upward trend" in the economy in the last quarter and 10 per cent higher sales and 5 per cent better profits for his company than it had in the same period last year.

Edward M. Cramer, president, Broadcast Music, Inc., New York City, sees a "modest" increase in the economy, and 5 per cent better volume for his own business than in the final 1970 quarter.

Mr. Sloane and Mr. Cramer are among a large group of executives who fear their labor costs will be 5 to 7 per cent higher in 1972 than in 1971.

Others include Marion W. Isbell, chairman, Ramada Inns, Inc., Phoenix, Ariz.; J. E. Peterson, president, Waterbury Lock & Specialty Co., Milford, Conn.; Joseph M. Mazer, chairman and treasurer, Hudson Pulp & Paper Corp., New York City; and Philip H. Burdett, vice president, Remington Arms Co., Bridgeport, Conn.

J. Henry Smith, president, The Equitable Life Assurance Society of the United States, New York City, sees 7 per cent higher labor costs next year. His company expects to spend 28 per cent more on capital improvements, and to have 5 per cent better business, in the last quarter of 1971 than in the final quarter of 1970. On the economy, Mr. Smith is among the more optimistic of respondents—he expects a "strong real growth trend" by year's end or early in 1972.

Roger P. Sonnabend, chairman and chief executive officer, Sonesta International Hotels Corp., Boston, expects a 10 per cent boost in his firm's labor costs in 1972. For the last quarter of 1971, he sees only "slight improvement" in the economy. But he expects Sonesta's volume to be up 5 per cent over the final three months of last year. Business, he explains, "can't be as bad as in 1970." END

W. R. Williams Jr., chairman, Union Dime Savings Bank of New York, says the economy will "slowly" turn upward during the last quarter but his bank's volume of business will be down because "deposit increases" have been much less than during 1970.

New Transtar trucks were field-proven

Before official introduction, we put the new TRANSTAR® 4200 and 4300 trucks in the hands of some big fleets and some owner-operators. We wanted their reactions to the biggest, most comfortable long-haul trucks we've ever built. Here are just some of the things they found on these totally new trucks.

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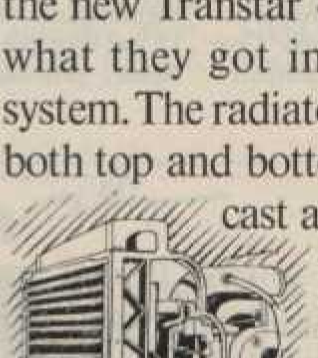

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HEADING OFF AN ENERGY CRISIS

Shortages amid plenty —that's the story on the power supplies that keep our country going; here is a fact-packed report on the situation now and on the outlook for the years ahead

Electricity to run America's industry and home appliances may sometimes be in short supply this summer—but there is no real crisis yet.

Mankind has consumed more energy in the past 30 years than in all history before 1940. And in the next 30 years we will use far more than that.

Six per cent of the world's population is in the United States. Yet the U. S. consumes 32 per cent of the world's energy production. More gas, oil, coal and nuclear power are used in this country than in the Soviet Union, Britain, West Germany and Japan combined.

Can anyone wonder that Western Man—and particularly *Homo Americanus*—has marched to the brink of an energy crisis? Indeed, some executives and economists in the energy field say there is a crisis now.

The predominant opinion, however, is that—although there may be temporary shortages—we are not yet in a crisis, and one can be avoided. An amplitude of the energy sources we now use is available, and dramatic new ways to produce energy are in the offing.

Certainly, we may have brownouts in some areas this summer, when demand for electricity outpaces supply. And next winter we may have some failures in heating supplies due to mechanical breakdown or human error, or because supplies simply weren't in the right place at the right time.

But a crisis?

Not where that prime supplier of energy, the U. S. electric power industry, is concerned—according to one spokesman, President W. Donham Crawford of the Edison Electric Institute.

Mr. Crawford, whose organization is the principal trade association for the nation's investor-owned electric power companies, says that "on an over-all basis, reserve generating capacity is on the upswing."

He adds, however, that in some areas "reserves are less than desirable," and explains:

"These shortages of reserves are

basically attributable to an inability to bring in planned capacity additions on time due to construction delays, strikes, late equipment deliveries and, in a few instances, prolonged regulatory proceedings or opposition from conservationists."

The energy-environment conflict is an old one. After all, the first time a settler at Jamestown in the Virginia Colony cut down a tree in 1607, he was opting for energy over scenery.

But it was inevitable that there would be a greater ruckus during a period when energy consumption is soaring as it never has before.

The cleaning of America

The conflict continues despite the many measures businessmen take to lessen the environmental impact of their efforts to meet the demand for energy:

Their replenishing of the earth where strip mining of coal has sheared it off, their improving of techniques for removal of sulfur from oil and coal emissions, their perfecting of devices to cool water which pours from nuclear plants, their efforts to quiet the machines which roar and clatter while doing man's work. . . .

In speech after speech, U. S. business leaders tell with pride how much money, time and effort their companies have invested in the great cleanup. Some feel the cleaning of America will be as great an accomplishment in the '70s as the landing of man on the moon was in the '60s.

Many executives argue that what the U. S. energy producer needs most right now is the cooperation of government in forming an over-all American energy program which will permit him to increase energy sources without undue interference of the ecologists.

Says M. A. Wright, chairman of the board, Humble Oil & Refining Co.: "We have reached the point where a more coordinated, consistent approach to energy policy issues is essential. We will not be able to resolve our energy problems by continuing to manage our individual energy resources each in isolation from the other."

It seems reasonable, Mr. Wright goes on, "that the objective for the coordination of United States energy supply should be to provide an adequate supply of energy for both present and longer term needs, at a reasonable balance between cost, dependability and protection of the environment.

"A critical corollary to this is the development of contingency plans for disruptions in foreign supply which recognize the probability and possible nature of such disruptions."

A national energy program seems to be in the making as various government and industry leaders discuss and study the matter.

Meanwhile, the demand for energy and the effort to supply it grow and grow.

Edison Institute Chairman D. Bruce Mansfield, who is also president of Ohio Edison Co., reports that during 1970 the electric power industry put more than 200 new generating units on the line. This, he says, "represented some 26 million kilowatts of new capacity, a record amount to be added in a single year."

He continues: "As of the beginning of 1971, total electric capability in the contiguous United States was 339,050 megawatts. By the end of 1975, estimated capacity is expected to be 533,500 megawatts, an increase of 57 per cent over the five-year period."

Sen. Jennings Randolph (D.-W. Va.), one of the most knowledgeable legislators on energy matters, has some ideas about what's needed over a longer pull:

"In the next 20 years," he says, "we must triple our national power capacity to meet projected population and industrial demands. This may require 250 new power plant sites with an estimated capital need of as much as $350 billion. Such an expansion will require approximately eight million acres of land and may require over half a million miles of transmission lines."

And those increases in capacity will have wide impact in the fuel supply field. Our electricity is produced from a variety of sources: coal (46.4 per cent in 1970), oil (11.8 per cent), gas (24.1 per cent), water power (16.2 per cent), nuclear power (1.4 per cent) and even from burning wood and waste (0.1 per cent).

Sweating out the summer

While there is little government-industry argument over long-range need for electricity, there is disagreement over what might happen this summer.

President Nixon held a special Cabinet session last spring to study what could be done about what was called a forthcoming summer of power shortages. The meeting was an echo of events last Labor Day week when there was a temporary power crisis in the Northeast due to an unexpected, long, very hot, dry spell. Mechanical breakdowns added to the problems.

The Federal Power Commission and industry agree that reserve power of 20 per cent is needed to insure against power failure. But they do not agree on how much of a reserve is available this summer.

About 16.3 per cent, says the government; 18.3, says the Edison Institute. Last year the over-all reserve margin was actually 19 per cent—which means that while electricity supply has increased, the margin of reserve is down.

In 1972, the industry says, reserve margin will be 21.5 per cent, and it will rise to 23.9 in 1975. By then more nuclear reactors will be coming

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STERLING G. SLAPPEY, *author of this article, is senior editor of Nation's Business.*

into service ending—hopefully—fears of vast blackouts and brownouts.

In any event, utilities have foreseen the possibilities of power disruptions this summer and have increased orders for turbines and transformers. Orders for equipment placed two to six years ago are now being filled and much of it is going on the line in the next few months. Utilities not only ordered equipment in the United States, they also placed huge orders with Swiss, German, British and Japanese firms.

New technology and better exchange of power between electric companies have also helped to increase peak-load current. To help make up for delayed equipment installations, utilities are installing large numbers of gas turbines—modified aircraft engines—along with the more conventional steam turbines.

In some cases, utilities—in addition to vigorously helping themselves—ask help from their customers.

Consolidated Edison in New York has an educational program, "Ten Ways to Save a Watt." Users are urged, among other things, to turn off air conditioners and other power consuming machinery when not actually needed, to wash dishes and clothes at night when power demands of industry have tapered off and to buy the right size—not necessarily the largest—air conditioner.

In the future, of course, the electric power people—and the suppliers of other forms of energy that move our vehicles and heat our buildings—hope it will be unnecessary to ask anyone to hold back on consumption.

"Burning" the ocean

They hope to be able to come up with plenty of the conventional fuels. And companies, government and others are working on a variety of energy sources, some of which sound very science fictional, some less so.

A fantastic source of energy could be the "burning" of ocean water—fusing hydrogen atoms and creating steam with heat generated by the fusion. (Hydrogen is fused now, in H-bomb explosions, but controlling the reaction is another matter). British and Soviet scientists are conducting experiments, and Americans are collecting data. It's pretty far-out, but so—a generation ago—was the splitting of the atom which made it possible to produce atomic power as well as atomic bombs.

Then there's the long-discussed possibility of harnessing ocean tides.

Geothermal energy—harnessed heat from the earth's interior—is being produced by Pacific Gas and Electric Co. north of San Francisco, and several other companies are well along in research on use of this energy source. Italy and New Zealand lead the world in geothermal energy production.

There's solar energy, too—already, Americans can buy radios which operate on power from the sun.

Tiny fuel cells, which may have great potential, are being tested in homes and stores by the Pratt & Whitney Division of United Aircraft Corp., and by 32 gas and electric utility companies.

Breeder reactors far in advance of present nuclear reactors—considered certainties before the turn of the Twenty-first Century—will actually produce more fuel than they consume.

Only last month, President Nixon sent a message to Congress asking increased funds for research on breeders, which have long been under development by the Atomic Energy Commission. He said they will have "far less impact on the environment than the power plants which are operating today," and could "extend the life of our natural uranium supply from decades to centuries."

Other hoped-for weapons in the fight to overcome energy shortages are widespread production of oil from coal, shale and tar sands, and large production of liquefied gas and of high-grade gas from coal.

The President's June message to Congress noted he was opening up oil shale fields in Colorado, Utah and Wyoming to private bidders, and asked funds to strengthen research on extracting gas from coal.

These are some of the energy sources of the future. In the meantime the U. S. must get along primarily on oil, gas, nuclear power and coal supplies which sometimes are short because of men's shortsightedness.

In the following four sections, NATION'S BUSINESS takes up in detail the situation for each.

Oil: No Need to Scrape the Bottom of the Barrel

The oil industry is in the predicament of settlers facing attackers coming over every wall.

The industry is under heavy siege in the Middle East, Alaska, South America, in Washington, and nearly everywhere there's a whiff of exhaust fume or an oil splotch on the water.

Fortunately for oil there's plenty of ammunition to fight back with. Besides, a relief column—in the form of growing recognition of the industry's value—is discernible on the horizon, riding hard to the rescue.

Oilmen can fight with figures:

The industry's product accounts for 44 per cent of Americans' total energy needs. It provides one fourth of their industrial energy, almost half of their commercial and household heating requirements, virtually all of the energy they use to transport themselves and their goods. Americans use 15 million barrels of oil a day—half again more than 10 years ago. In another 10 years, the figure will be half again larger than that.

Oilmen are consoled by the knowledge that many Americans obviously realize how much their activities will be hampered if extreme environmentalists stop the Alaskan pipeline and retard offshore drilling, if the government refuses to make more federal lands available for exploration, if petroleum-rich nations overseas send the price of oil out of sight.

Domestic reserves of this relatively cheap, convenient fuel are down to 39 billion barrels—enough for less than 10 years at the current rate of consumption.

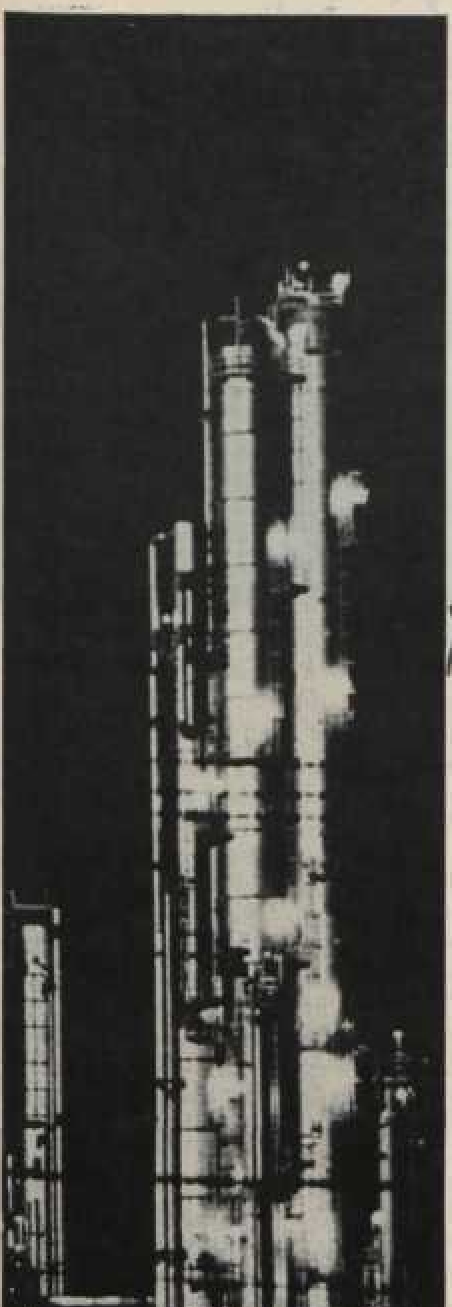


PHOTO: MATT HERRON—BLACK STAR

Crude oil passing through U. S. refineries is now primarily from this hemisphere, but more and more will come from elsewhere.

Have

That's a puddle compared to what's beneath the Middle East—at the very least, 319 billion barrels.

America presently gets only 4 per cent of its petroleum from that corner of the world, where turmoil easily can interrupt or hinder the flow of oil, and has done so.

Why, it's often asked, should Americans worry about Middle Eastern oil, since practically all of it goes to Europe and the Far East?

Their troubles are ours

The answer is threefold: Our Western European and Far Eastern allies can't prosper without oil, and we need them in peace or war. Second, practically all major oil companies—British Petroleum and Shell are exceptions—are American owned. And finally, the U. S. will be using more Middle Eastern oil in the future.

Says Humble Oil Chairman Wright:

"If we have a crisis and Middle East production is curtailed, we will all be in trouble. Europe depends about 85 per cent on Eastern Hemisphere crude. The United States isn't dependent on the Eastern Hemisphere at the moment, but we have no surplus capacity to aid Europe. . . .

"Our present forecasts indicate that 10 years from now this country will rely on the Eastern Hemisphere for 30 per cent of its oil. This figure points out the need for accelerating exploration and development of our offshore and Arctic areas.

"We assume that Canadian and Venezuelan oil will be available to us, but in 1980 the demands of this country will be about 22 million barrels a day, of which six million must come from the Eastern Hemisphere."

Our inadequate domestic supplies and our insatiable appetite for oil are two principal reasons why oilmen were forced last winter to pay higher prices to Middle Eastern countries for crude.

In five years the over-all bill for crude will have been $5 billion higher. This, of course, brings America much closer to the time when a gallon of gasoline may cost 60 cents or more, and Europe to the time when a gallon costs at least $1.25.

With turbulence in the Middle East, oilmen turned to many other areas for exploration—Australia, Indonesia, Africa, the North Sea and Spitsbergen as well as South America (Venezuelan oil now flows at the rate of 3.7 million barrels a day, but that country's reserves are down to 2.6 per cent of the world's reserves).

Nowhere did they hit anything like the vast ocean of oil lying beneath northern Alaska and adjacent Canada. Exploration there has hardly begun and no one knows just how much will eventually be found. Already it's accepted that at least 9.4 billion barrels are waiting beneath Alaska which eventually will be added to American reserves.

The problems in Alaska include weather, mileage, demands of the ecologists and attendant need for billions of dollars.

The government is expected to give permission this fall for contracting for work on the $2.3 billion dollar

Gas & oil industry

The eternal search for oil, oil, more oil, started on shore, then moved also to inlets, and then to gulfs . . . . Now oilmen, the great majority of whom are Americans, even seek "black gold" in the open seas of the world.

pipeline from Prudhoe Bay to Valdez, Alaska. The line would take two to three years to build and carry two million barrels a day, reducing dependence on Middle Eastern oil.

Cozy caribou

Environmentalists have fought the pipeline for nearly two years, saying it would melt the tundra and foul up the fauna and vegetation. They were particularly concerned that the pipeline would be a threat to the caribou in the area.

Oilmen produced new proposals, made new engineering studies, promised all sorts of favors for the caribou. It's now reported that the caribou would be a greater threat to the pipeline than the pipeline would be to the caribou. The animals can be expected to huddle close to the line and the warm oil it would contain.

Mr. Wright sums up this fight and others by saying: "Many environmentalists seem to feel industry should not look for oil off populated coastlines or in relatively untouched wilderness areas such as Alaska. They seem to feel we should find oil in locations where they would like it to be—rather than where oil actually exists. . . .

"But the evidence is clear that most of the large prospective reserves yet to be discovered in the United States are in the waters of the continental shelf or in remote frontier areas such as Alaska.

"The relative amount of flexibility granted to the petroleum industry in future years to explore for oil, to produce it, and to transport it from these areas—much of which are federally owned—may depend in large measure on our environmental performance.

"We think the record of our industry in handling the environmental issue may also affect our credibility with the public on other, unrelated issues of great significance to our business. Therefore we are working very hard to improve that record."

Environmentalists have been on the oil industry's neck, of course, not only when it comes to producing oil but when it comes to burning it. There is much public and private research on how to remove pollutants from emissions when petroleum is consumed. President Nixon last month asked Congress for an extra $15 million to find methods of extracting sulfur dioxide from oil and coal stack gases.

From all sources the United States until recent years had a comfortable five million-barrel-a-day surplus producing capability. Now, the country just barely has a surplus capability. This is considered a dangerous situation, especially due to the needs of national defense.

Many oilmen feel the United States must find and develop 105 billion barrels between now and 1985.

(The heavy fuel oil situation is particularly bad. Until two years ago, consumption of this fuel, used in power plants, large industrial installations, schools and commercial heating, increased annually about 2 per cent. In 1969 it leaped 8 per cent and last year, 11 per cent. Practically all heavy fuel oil has to be imported.)

Because we still manage to keep ahead by a nose, and because some experts say more than half of the discoverable oil in the United States is still waiting to be discovered, many oilmen avoid describing the situation as a "crisis."

"Disincentives" for drilling

But exploration within the United States has been drastically reduced. Says Frank N. Ikard, president of the American Petroleum Institute in Washington:

"While demand for petroleum products has reached an all-time high, the number of wells drilled in search of new petroleum supplies in 1970 dropped to the lowest point in 22 years. Over the past 15 years, the number of exploratory wells drilled per year has declined 48 per cent.

"And more than 80 per cent of the 8,400 exploratory wells drilled last year turned out to be dry holes.

"There is no question that the lack of adequate incentives is the primary cause of this sharp decline in drilling. In fact, we have seen a whole series of 'disincentives' laid in the path of petroleum producers.

"These have included the higher taxes imposed on petroleum companies during the past year; the un-

realistically low prices set by the federal government on natural gas sold interstate; the continuing proposals to undermine the domestic oil industry by permitting excessive amounts of imports; and the restrictions that involve offshore leases and the movement of Alaska North Slope petroleum."

Early in the Age of Oil it was realized that the United States would depend increasingly on petroleum. Government policies provided incentives for a strong oil industry.

More recently, the incentives became targets for criticism.

The depletion allowance developed into an emotional political issue. Congress reduced it from 27½ per cent, where it had been for 40 years, to 22 per cent. Along with other tax measures, this increased the oil industry's annual tax bill by $700 million.

And the Mandatory Oil Import Program, established in 1959, has been under new attack. Oilmen acknowledge that oil importing is necessary, and also say it inevitably will increase. But they want controls so as to nurture the domestic industry

The present Administration is sympathetic in many ways to the oil industry.

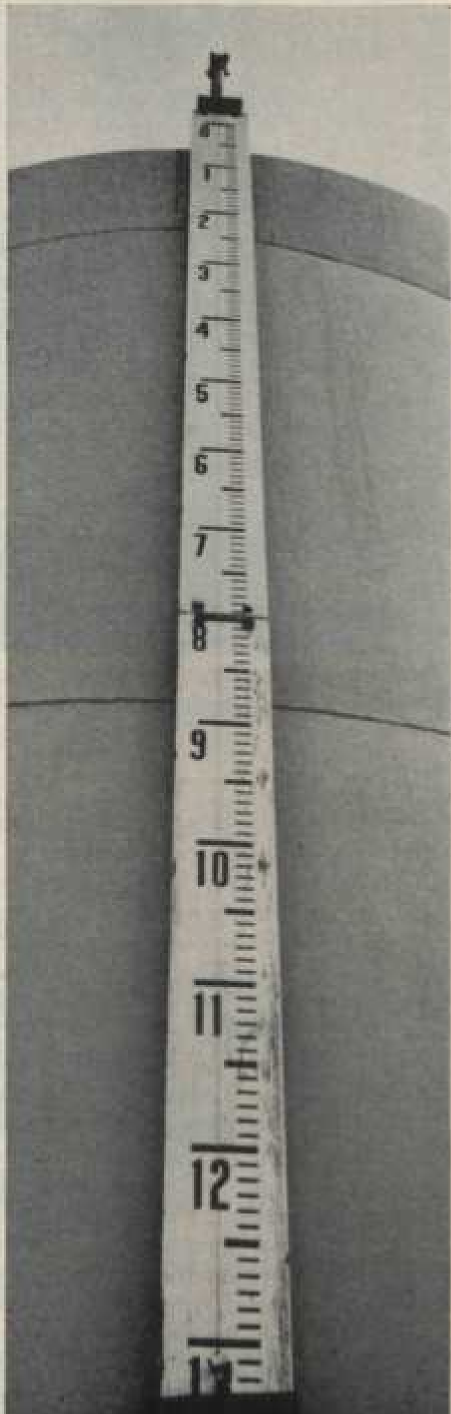
Although Dr. Hendrick Houthakker, of President Nixon's Council of Economic Advisers, called talk of a pending oil crisis "exaggerated," he said construction of the Alaskan pipeline is a "matter of high priority."

Interior Secretary Rogers C. B. Morton will be the man to decide if the pipeline will be built, and in mid-May he gave a hint of how he feels. He put energy ahead of ecology.

"Ecology," he said, "is the most important thing in the world until the lights go out."

The Secretary said he is not "altogether sympathetic to the oil industry's belief that outspoken conservationists are contributing to a world-wide energy shortage." However, he added, "some people" are "expressing totally unrealistic opposition to progress."

Talk of action that would "shut this important source of energy down or restrict it from developing," he said, is " 'Alice in Wonderland' type rhetoric."



The supply of natural gas in the tanks and pipelines of America is often low—dangerously low, say alarmed men of the industry.

Gas: Enough for Present Customers, but How About the New Ones?

Ken — Keep up the line under gas

Natural gas producers say their big troubles began in June, 1954, when the Supreme Court affirmed that the Federal Power Commission had the right to regulate gas prices at the wellhead.

Prices were set so low, gasmen say, that producing companies could not get enough money to find and develop resources. Gas exploration became an adjunct of oil exploration. At the same time, consumers were turning to this type of fuel in increasing droves—one major reason being its cleanness.

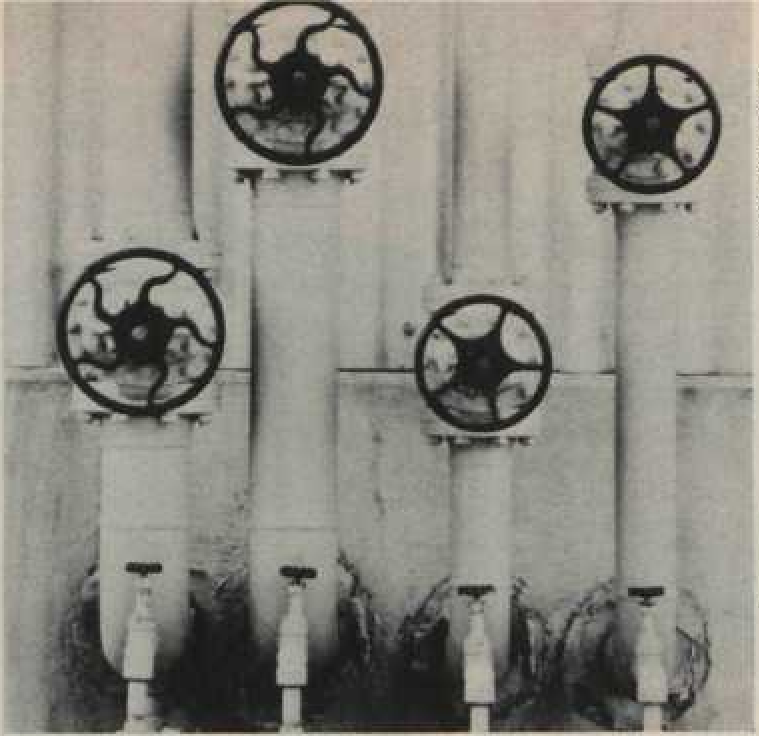
Last year the U. S. burned 22 trillion cubic feet. Usage of gas now goes up about 7 per cent per year.

Although low prices were a ready complaint of gasmen, as long as more natural gas was being located each year than burned, the industry looked like a winner for decades to come.

But that utopian situation of constantly increasing reserves has been a thing of the past since 1968. With exploration slowed due to lack of funding, additions to reserves fell five trillion cubic feet below production in that year. The gap was more than 10 trillion cubic feet in both 1969 and '70.

Today, the nation continues to use more gas than it finds, a situation growing more serious because the U. S. now has only a meager 12- to 13-year supply in reserve—some 265 trillion cubic feet.

It's known that there is a great deal more gas beneath the continental



Industry will be in sorry shape indeed if the valves that regulate our supplies of energy are turned to "slow," much less to "off."

United States—estimates go as high as 1,500 trillion cubic feet—but companies say they lack the huge sums required to locate it, get it out of the ground and pipe it to customers.

Optimists in government point out that although the U. S. is using up its treasure trove of reserves—the supply was estimated to be enough for 22 years in 1955—more gas can be bought in Canada and there is plenty of gas in Alaska.

Actually, North Slope discoveries of the past three years have produced only 26 trillion cubic feet of proven reserves thus far. That's little more than a year's supply. Potential reserves are said to be enormous, but as of summertime 1971, they remain just that—"potential."

The shortage of reserves would be less serious if natural gas were merely a supplemental fuel. But it is second only to oil in the energy field, accounting for 32 per cent of all energy consumed.

Higher prices ahead?

There is hope down the road for natural gas because the FPC is relaxing the rigid price structure.

It is generally accepted in Washington that the FPC must move decisively, and soon too, or the gas industry will be permanently injured and a major energy crisis will be touched off.

The FPC is now looking into claims that the gas industry is keeping quiet about certain reserves so it can put pressure on the government for better prices. In effect, some government people say that reserves listed as "potential" are "proven."

The industry denies this and says the gas reserve shortage is all too real. Many companies, it points out, now must decline to accept new customers because they simply don't have the gas to service them with. One company has a waiting list of 17,000.

Shortages in immediate supply for existing customers are not unheard of.

In Cleveland, a number of factories halted operations when the fuel ran out in the winter of 1969–70.

Walter E. Rogers, president of the Independent Natural Gas Association of America, looks for a doubling of today's natural gas consumption, assuming supplies are available.

He warns: "Our basic energy resources are decreasing at an alarming rate. Unless this trend is reversed, this country could be in a very tragic situation well before the turn of the century."

G. J. Tankersley, president of the American Gas Association, urges higher wellhead prices to spur exploratory drilling and he wants the government to open more lands under its control for exploration.

At the same time, he says, "There is a misconception that we are running out of gas. . . . Most companies have adequate supplies for present users, are covered by long-term contracts, and are bringing some new gas to market or utilizing new storage facilities to improve load factor. The principal concern is in regard to potential future customers."

Various supply steps being advocated by the gas industry should start new gas flowing for new customers "within a relatively short period," Mr. Tankersley says.

New sources of supply

Two new sources of fuel are in the offing for the industry, though large supplies from either source are several years away.

A number of companies hope to get liquefied natural gas from Algeria, and possibly from other countries. U. S. gas men have been studying Canvey Island terminal in the River Thames, at which England for several years has been receiving ships bearing large quantities of Algerian gas.

Meanwhile, at least three processes are being developed (and others are under laboratory research) to make high-quality gas from coal.

Production of gas from coal is nothing new. The manufactured gas burned in much of the U. S. until the late '40s came from coal. But it was more expensive, and didn't heat as efficiently as natural gas.

Now, the Hygas Process is being tested in Chicago by the Institute of Gas Technology, under contract from the U. S. Office of Coal Research. A plant to test Consolidation Coal Co.'s Acceptor Process is under construction at Rapid City, S. Dak. And a pilot plant for a process developed by Bituminous Coal Research, Inc., and the Office of Coal Research is planned at Homer City, Pa.

It is anticipated that gas produced from these sources would be more expensive than most natural gas but that it would be competitive in price with Alaskan or Algerian gas.

The supply of gas can hardly improve appreciably by next winter, although there may be slightly more of it. So it is toward the winter that gasmen are looking, hoping it won't be a winter of discontent.

Enjoy the enchanting moods of a waterfront life-style.

Ever since man's first beginnings, the sea has held an eternal fascination—with its ever-changing moods and movements, ranging from serene placidity to hypnotic drama. Now a sophisticated return to the rapture of the water is happening. Coronado Cays is an exclusive waterfront community that combines the traditional, magical manner of the Caribbean with the fresh, natural beauty of the California coastline. Coronado Cays is a group of man-made cays and islands, each created with inspiration and each dramatically bulkheaded from the waters of San Diego Bay. Designed with maximum security and privacy, Coronado Cays recaptures the colonial feel of the Caribbean with a sentry-guarded entrance. Provincial charm has been nobly recreated with sweeping pilasters of chalk white, blue-tiled cupolas, brick red accents, citron exterior touches and scarlet bougainvillea that blooms along the network of malls and courtyards that flank the homes. Jamaica Village contains a premier group of patio homes within a few steps of the waterways, boatslips and its own private beach clubs. Separated by a silver channel is Green Turtle Cay, a private collection of prestigious waterfront lots touching upon the Bay and bulkheaded for individual boat docks.

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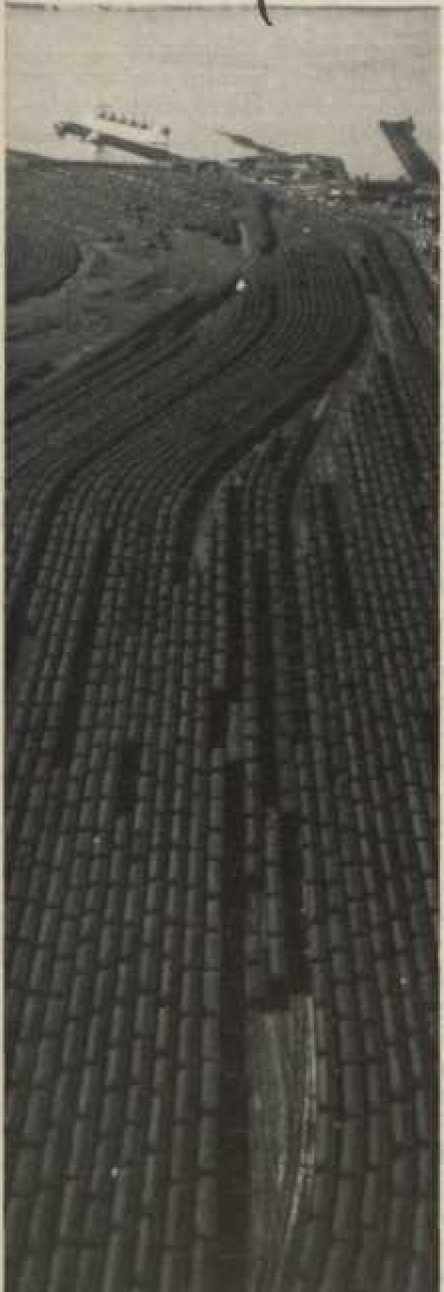
Have (do 'coal mining' large & small file

PHOTO: CHARLES ROTKIN—PFI



When Americans turned their backs on coal in years past, foreign orders helped save the industry. Huge amounts of coal are still shipped abroad.

Coal: "You Can Paint a Rock Black and Sell It"

The words "blackout" and "brownout" have been unwelcome additions to millions of American conversations during recent summers—especially the long, hot one of 1965.

The situation they describe—when lights and air conditioners go off, elevators and transit system trains halt and stoves won't cook—often stems from inadequate use of a magnificent black treasure, the nation's almost inexhaustible supply of coal.

Ecologists are partially responsible. Their onslaughts have retarded mining. It makes human lives grubby, they claim, and drives away animal life. Strip mining wrecks the landscape and causes flooding, they complain; underground mining causes acid drainage.

Coal men admit there's truth in much of what they say.

But ecologists fail to nominate a substitute source for the needed energy derived from coal. And, they fail to give the coal people credit for making tremendous strides in allaying ill effects of mining.

Progress is being made—in the way land is cut for strip mining, in beautifying and restoring terrain after the coal is removed, in filling in low places to turn useless valleys into useful level lands, in nullifying mine acid with lime.

Another reason for coal shortages we have had, and still have, is that during the '50s and early '60s much misinformation was published about nuclear energy. It was claimed that atomic power was prepared to do all things for all men and right away, too. Coal was made to appear a faltering source of energy and much mining activity was curtailed, because utilities were reluctant to sign long-term contracts for coal.

Three or four years ago it became obvious that nuclear energy was still largely something for the future. Coal mining began to come back and today it's a booming business.

As one mine owner puts it: "In this market you can paint a rock black and sell it."

Up, up—and still not enough

Last year 596 million tons were mined and still there was a shortage. This year 615 million tons are expected to come out of the earth, and still there may be a shortage.

In 1961, 403 million tons were mined.

Coal's all-time record year was 1947, when 630 million tons came up. That, however, was in a period when coal was far more widely used for heating than it is now. Its big use today is in generating electricity.

Electric utilities gobbled up 320 million tons last year; coking coal took 96 million tons; 91 million tons went to general industry; 10 million tons were retailed.

In addition, 71 million tons were

PHOTO: FRANKLYN PETERSON—BLACK STAR

To many environmentalists there's no greater villain than a strip miner who scrapes land to bring up coal. Yet coal is vital to the country.

exported—an amount second only to the 76 million tons sent abroad in 1957. Uncle Sam's balance of payments problem was eased by very nearly $1 billion in 1970, thanks to coal.

If there's a coal shortage at home, many ask, why are we shipping so much to Japan, Canada and Europe?

The answer is that shipments go out under long-term contracts, some for 20 and 25 years, signed in the days when some Americans were turning their backs on the ugly duckling of mining. Furthermore, most exported coal comes from mines opened specifically to fill foreign contracts.

The economics of coal mining point up why long-term contracts are sought after by mine operators.

Capital cost of a new underground mine is $12 to $14 per ton of annual production and a mine easily can yield one million tons per year.

Huge reclamation projects

Though it's less expensive than underground mining, strip mining isn't a cheap way to get coal from the earth either. Coal companies are now under reclamation bonds required by laws in the 21 main coal producing states. If the companies don't redress strip-mined land to the satisfaction of authorities, states keep the bond money and do the job themselves.

Last year 39 per cent of all coal came from strip mines and the figure will go higher this year.

A National Coal Association survey shows that 58,000 acres were reclaimed in 1970, 64,000 in 1969, 72,000 in 1968 and 57,000 in 1967. More acreage has been reclaimed in some years than others because of catching up on a backlog of stripped land.

Despite progress in reclamation, there are bills in the House and Senate in Washington to ban strip mining altogether. The Coal Association, which favors redressing stripped land, says passage of the bills would be disastrous.

Ecologists jump on coal from all directions.

One favorite attack is to charge that burning coal pollutes the air. This is true, but here again progress is being made in cleaning up.

Fly ash from burning coal can now be collected by electrostatic precipitators and other devices which are more than 99 per cent effective. Therefore, fly ash is less of a problem.

Sulfur in coal is a tougher obstacle. Some states want it removed before burning, which people in the industry say is nearly impossible. The industry is now setting about proving that the way to cleaner energy is to regulate the sulfur dioxide content of the emissions.

A wide range of removal processes are being developed and some of the best already are installed in full-scale demonstration plants at electric utilities. In the next five or six years this problem should be very near solution.

There is plenty of coal with less than 1 per cent sulfur content in the West but unfortunately it is far from markets and costly to transport. Low sulfur coal is scarce in the East.

Hoppers are a hurdle

A big contributor to the coal shortage last year was a shortage of railroad hopper cars.

Railroads have somewhat relieved the situation by installing a "permit system" under which they won't haul a producer's export coal unless he supplies the name of the ship for which the coal is destined and the vessel's arrival date. This bars a producer from sending coal to a port on speculation, and then storing the coal in hoppers until somebody buys it.

As a result 7,500 hoppers have been freed this year for hauling coal to domestic users.

The Interstate Commerce Commission is helping by requiring prompt return of hoppers to the owning railroad as soon as they are unloaded. And the railroads have beefed up their hopper fleets.

Looking eight or 10 years down the road, there are interesting developments in coal which should go far toward heading off an energy crisis.

Eventually, synthetic petroleum will be obtained from coal—one reason, undoubtedly, why oil companies have bought into the coal industry and now account for 21 per cent of production. And, as noted previously,

gas will be obtained from coal. Both processes are known to be entirely achievable.

The United States has far more coal than any other source of energy—in fact, at the present rate of consumption it has more than 1,000 years of supply in proved reserves. Reserves amount to 88 per cent of those of all energy fuels, including oil shale and uranium. Almost half the known coal in the world is in this country.

Men and money

Huge amounts of it will be coming out of the ground in the next generation or two. Herbert S. Richey, president of Cleveland's Valley Camp Coal Co. says that in a few years we will be mining 900 million tons yearly—up nearly 50 per cent over the projected 1971 total.

Money will be needed.

In addition to the capital costs of opening a new mine, there's the United Mine Workers of America. W. A. Boyle, UMW president, says he will demand $50 a day per miner, instead of the current $37, in the next contract (the present one expires Oct. 1) as well as 50 cents a ton for the union's welfare fund instead of the present 40 cents.

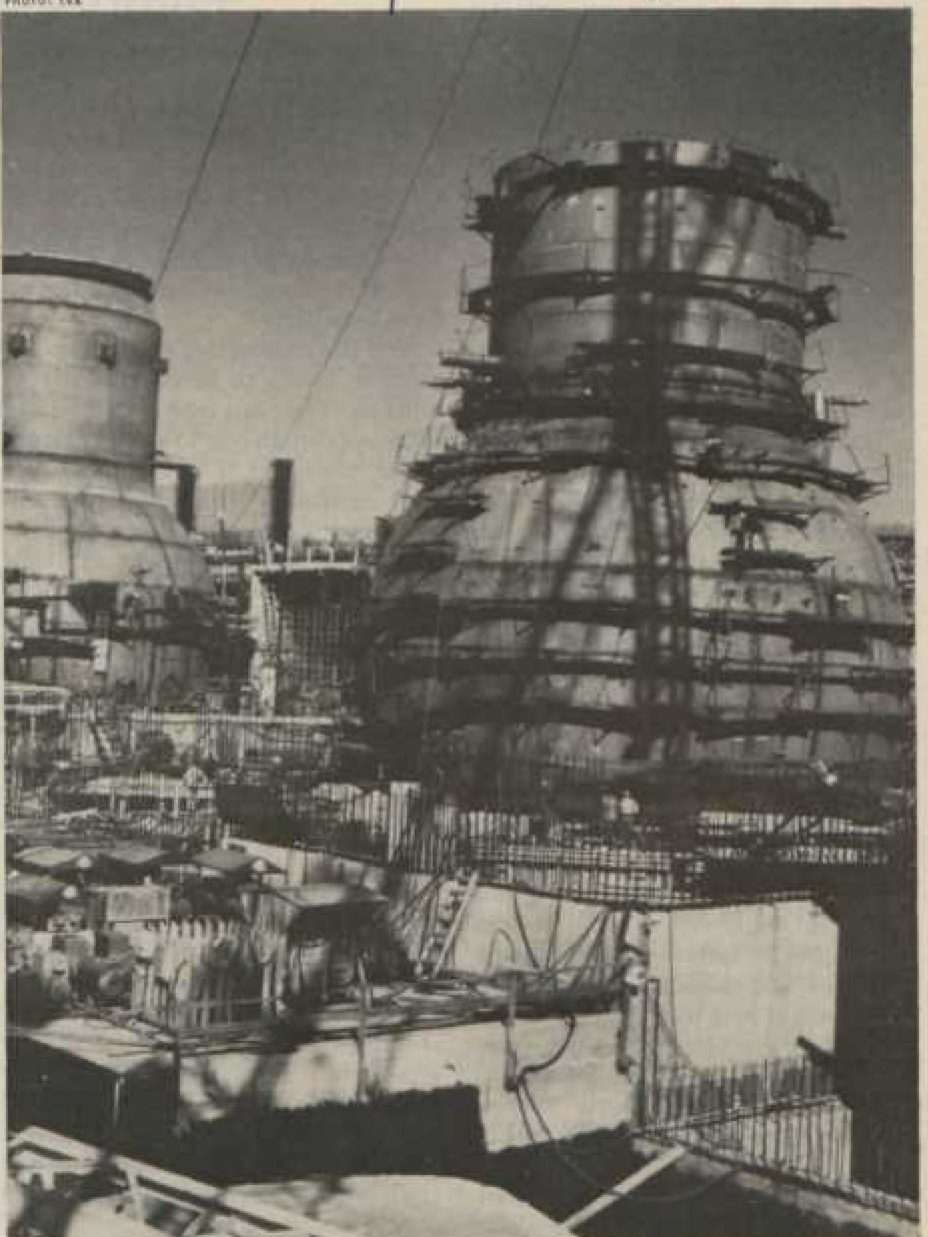
Men will be needed too.

Besides the $24 million to $30 million needed in capital expenditures to launch a deep mine producing two million tons a year, Mr. Richey says, "The most serious problem is hiring and training approximately 500 employees to operate the mine. Included in this group would be highly skilled supervisors, engineers and technicians. Today there is a distinct shortage of such people, as well as a shortage of skilled miners.

"One reason is that many trained mining people are retiring. Secondly, the lack of a long-term energy policy in this country permitted the government to make various statements regarding the ease and economy of converting the national energy sources from fossil fuels to nuclear fuels. This has failed to materialize.

"This lack of national policy thoroughly discouraged the coal industry from acquiring and developing properties and training men to supply the fuel now needed."

PHOTO: TVA



The world is waiting impatiently for plentiful nuclear power. It's not here yet, but it will come. Even TVA is beginning to go nuclear.

Nuclear Power: A Brighter Power Source Tomorrow

The prospects for nuclear energy were being oversold as long ago as 1914.

In his book, "The World Set Free: A Story of Mankind," H. G. Wells outlined what could be done with the atom. The noted British visionary and writer told not only of the atom bomb, but of peaceful uses of atomic power, at a time when few men knew what he was talking about.

Mr. Wells was on the mark in a great deal he said. But he was off on

his time element, and subsequent writers have been, too.

Many times they have had us on the threshold of the Atomic Age. Soon, they have predicted, the atoms would "heat, operate, fuel, cure, create."

Today, total U. S. nuclear power production is only a fraction of the latest one-year increase in over-all electricity capacity.

One reason for the disappointment of so many nuclear power fans has been a misconception about how long it takes to get a nuclear plant into operation. It's now realized that from seven to 10 years are required—and not three to five years, as once was supposed.

Another reason has been worry.

During the 1960s, we were steadily warned—often incorrectly—that nuclear plants could cause immense trouble.

People stewed about radiation, about what would happen if there were accidents at the plants, or earthquakes. Ecologists claimed that injection of heat from the plants into the air or bodies of water would muck up the environment. Others said the huge, bubble-shaped reactor buildings, and the cooling towers and ponds would mar the landscape.

The financial community was troubled because nuclear installations are so expensive in their early stages; many men wondered if they would ever pay off. And finally, nuclear plant builders were asked, "What will be done with radioactive waste materials?"

Such attitudes have held up approval to build several nuclear plants which otherwise would now be contributing massive doses of electricity to regional grids. Three major plants which were delayed for months for some of these reasons are located in Michigan and Minnesota and on Long Island.

Deactivating the doubts

The Atomic Energy Commission is working on safety measures while also licensing reactors and trying to get more production—as it has in the past two decades. The AEC's attention to safety is notable. It says no member of the general public ever has been endangered by radiation at a nuclear plant it licenses—and all U. S. nuclear plants must be AEC-licensed.

Advocates of nuclear power contend it has less effect on the environment than other forms of power generation. As for worries in the financial community, money outlays now planned or under way indicate a lot of confidence in nuclear energy's fiscal feasibility.

And the radioactive waste disposal problem seems to be on the way to solution. The plan now—it's meeting some opposition—is to solidify liquid waste, transport it in huge stainless steel cannisters within lead and cement containers, and bury the cannisters far underground in an abandoned salt mine near Lyons, Kans. The area is isolated, dry, and free of earthquakes. And salt is an excellent shield against radiation.

During the last 10 to 15 years the word periodically has gone out that we were running out of uranium. Not true. And, before the uranium in Utah, Colorado, Wyoming, Texas, New Mexico and other states is gone, the uranium-stretching breeder reactor should be coming into its own. Also, we should be using more thorium, which is in plentiful supply.

There is every indication that we are finally launched on the age of widespread development of nuclear energy sources. Already this year 13 reactors have been ordered—as against 14 during all of 1970 (peak year was 1967, when 31 were ordered). In 1969 only seven were ordered.

Bigger reactors are being built than heretofore.

Early in May, for example, the Carolina Power & Light Co. ordered the first of four reactors of 900,000 kilowatts each for a plant near Raleigh, N. C., which will cost $1 billion and should begin operation by 1977 (and be fully completed in 1980).

Westinghouse Electric Co., which landed the reactor business, says the order is the largest ever placed in the industry. The reactors and the initial fuel supply will cost $175 million.

At present, 21 U. S. nuclear plants have a combined capacity of 8.3 million kilowatts. By 1980 nuclear electric generating capacity will have reached about 150 million kilowatts, which should then be almost one fourth of our nation's total power capacity.

How much will expansion cost between now and 1980? By today's reckoning, $25 billion. Inflation can send the figure far higher.

Approaching the ultimate

Farther down the road, breeder reactors should be commercially available by about 1985. They will approach the ultimate for they, in effect, recycle old fissionable materials and—through an enriching process—actually produce more fuel than they consume.

By 1985, nuclear energy is expected to furnish 11 per cent of our total energy requirement, as against only .3 per cent now.

Atomic Energy Commission Chairman Glenn T. Seaborg, commenting on the financial payoff of breeders and their ability to stretch fuel supplies, says that if certain breeders are available in the mid-1980s—and he thinks they will be—the "gross benefit to the nation from electrical energy savings in the 35-year period following could be more than $350 billion in terms of today's dollars."

By the year 2,000, Dr. Seaborg says, electricity generated in this country will be six times as much as at present, and half of this will be produced at nuclear plants—about 1,000 of them.

Half of those nuclear facilities, he adds, will be powered by fast breeder reactors.

And many of the reactors will have been operating long enough to produce sufficient new fuel to refuel themselves and an equal number of other reactors.

Since Dr. Seaborg feels America will need coal, oil and gas, far into the future, he cautions the country to develop its fossil fuel resources.

However, those in the nuclear energy industry—both the government and private sectors—feel they have *the* power source of tomorrow.

For a sign of the times, they point to the Tennessee Valley Authority. Created to harness hydroelectric power, and forced by the burgeoning demand for electricity to turn increasingly to coal, it is now converting to nuclear energy at several plants. END

This Month's Guest Economist

Prof. Raymond J. Saulnier
Barnard College,
Columbia University
Chairman, 1956-61, Council of Economic Advisers

Doubts About an Iffy Budget

Last January's budget message was notable for its adoption of what is called the "full employment budget," which it used side-by-side with the conventional (unified) budget.

In contrast to the latter, which projects expenditures and revenues as official forecasters believe they will *actually* occur, the full employment budget attempts to tell what expenditures and revenues would be *if* the economy were operating at full employment.

Crucial to an understanding of the concept is the underlying theory that, 1, a fiscal program is good or bad depending on what its outcome would be at full employment, not on whether it can be expected actually to produce a deficit or surplus in a particular fiscal year, and, 2, that the ideal program balances expenditures against revenues at full employment, regardless of its results under conditions other than full employment.

The concept says that a deficit at full employment automatically characterizes the budget as too expansionary—while conversely, a surplus labels it too restrictive.

Also, when a fiscal program balances expenditures and revenues at full employment, the deficit implied at less than full employment is thought to be the right deficit for the circumstances—in that it would supply just the right amount of stimulus (and presumably the right *kind* of stimulus) to propel the economy to full employment.

So goes the theory—if it is taken literally. And the January budget message takes the theory quite literally. It states that the program it proposes is the right one because, even though it is expected to involve a deficit of $11.6 billion in fiscal 1972, it would balance expenditures and revenues at full employment within $100 million.

"The full employment budget idea," says the message, "is in the nature of a self-fulfilling prophecy"—meaning that by operating in fiscal 1972 with a budget deficit of $11.6 billion ". . . we will help to bring about . . . full employment."

A second claim made for the new budget approach is that it can be more effective than the conventional budget in controlling increases in federal spending. What the concept says is that spending should under no circumstances increase beyond the amount that would be offset by full employment revenues. In this sense it asks for a balanced budget when *and only when* (in this view) a balanced budget is desirable, and a deficit when (on this theory) a deficit is needed.

But only a few weeks after the budget message was presented to Congress, doubts were being expressed about the proposed fiscal program. It was said that, owing to the economy's sluggishness, a fiscal program was needed that would involve not a balance at full employment but a deficit.

Obviously, this discards the notion that unambiguous policy guidance is provided automatically by the full employment budget. It also destroys any confidence one might have that the new concept assures a balanced budget even at full employment.

What caused the concept's undoing at such an early date?

For one thing, it is a mistake to believe that plans for spending or taxation can be rendered unalterable because they are part of a fiscal program estimated to yield a balance at a hypothetical full employment point. This implies a reverence for statistical projections that simply cannot be counted on—as was demonstrated in the concept's first encounter with reality, when the Senate ignored it in acting on the 1971 Social Security amendments.

The concept was also in trouble early because of disagreement among economic experts.

One of the concept's defects is that there is so much room for disagreement on the economic assumptions underlying projections of full employment revenues and expenditures that two estimators can have widely divergent views on the outcome at full employment of a given fiscal program.

And if it is not clear what a fiscal program will do at full employment, it is not clear what it will do at less than, or more than, full employment. In short, the concept has a shaky quantitative base.

Another defect is that, even if there were agreement on the size of full employment revenues and expenditures, different analysts legitimately can see different policy implications in the budget outcome that is projected.

The major reason is that experts typically do not agree on how the economy will respond to a budget deficit or surplus. Accordingly, they will disagree as to the amount of stimulus or restraint the economy needs in a given situation. Thus, the full employment budget gives policy guidance that is both ambiguous and controversial.

In this writer's view, the full employment budget surplus (or deficit) is not a useful concept. Indeed, it may be a handicap to the exercise of good judgment in fiscal planning.

But this is no cause for despair. All it means is that we are left with the need to make judgments regarding the economy's requirements for stimulus or restraint by the same methods we have always used, and to ask the same questions we have always asked:

- How big will the deficit actually be?
- What monetary policy will accompany it?
- How will the deficit be financed?
- How will the private sector respond to these monetary and financing policies and to other factors bearing on the deficit?

Any thought that such questions have somehow been rendered irrelevant or immaterial by the full employment budget concept can be put aside as an illusion.

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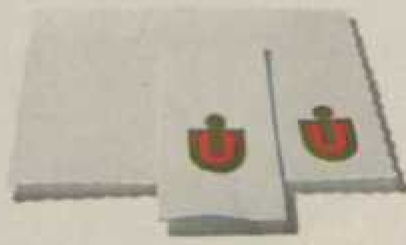

Your company image starts at home. Where does your corporate image really start? With your own employees.

If your customers consider you a good company to do business with, it's probably because your employees are that way.

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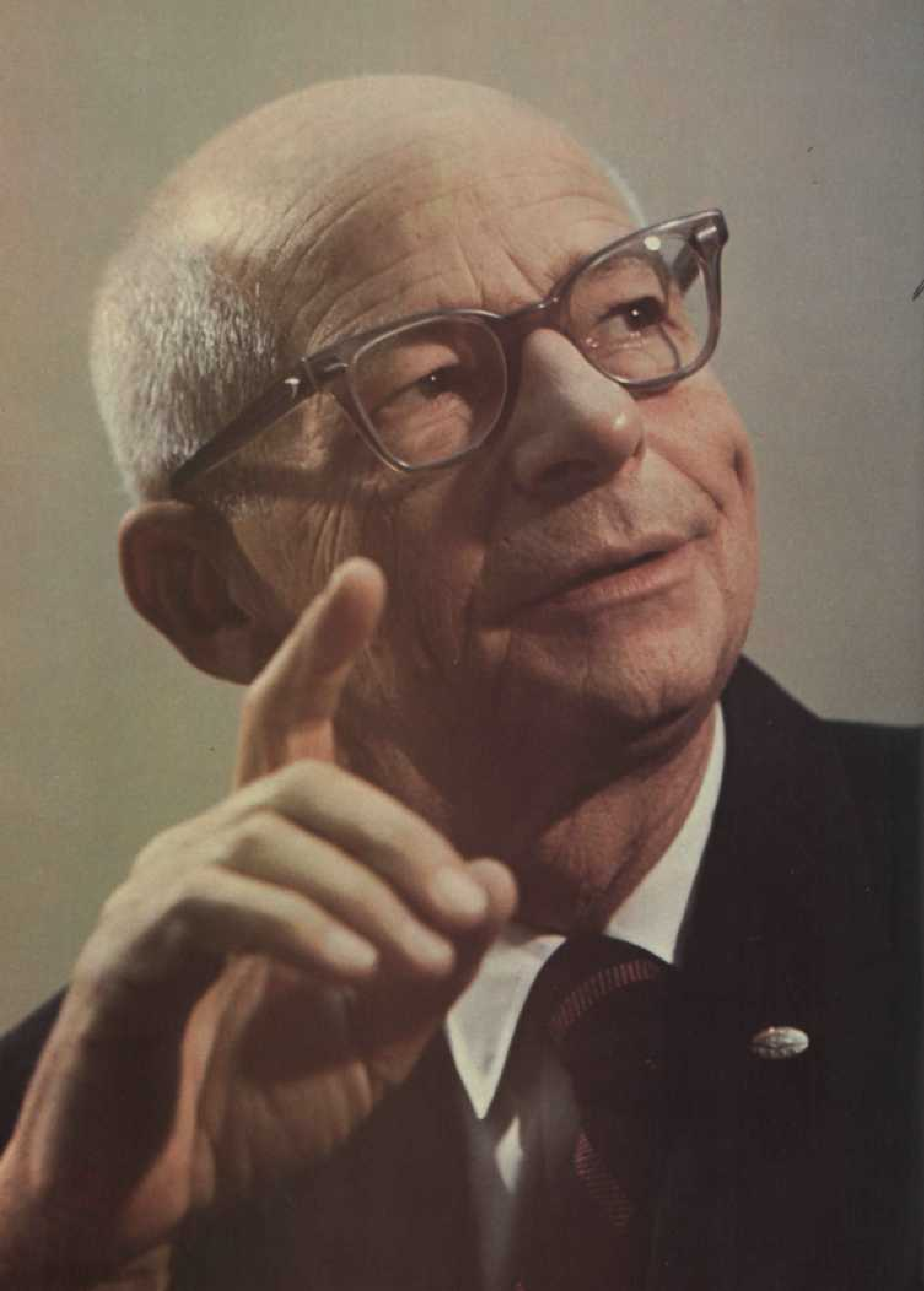

LESSONS OF LEADERSHIP

PART LXXIV

Carl Gerstacker of Dow Chemical Co.

The benefits of borrowing—and of trying hard enough

At the Midland Country Club, if you ask a fellow member what Carl A. Gerstacker shoots, you're likely to get this answer:

"He shoots one stroke better than the guy he's playing with."

Doing a little bit better than the other guy is something he learned early.

"If you don't come out first," his mother used to tell him as a boy, "it's only because you haven't tried hard enough."

Mr. Gerstacker tries hard enough.

As a youngster, his chief interest was finance. But to work at Dow Chemical Co., as he wished to do, you almost had to be a chemist or a chemical engineer.

So he became one.

In 1940, a second lieutenant in the Reserve, he was called up by the Army. In those days, before Pearl Harbor, the Army was lean on men and money. Among its many needs were more experts on ordnance.

So he became one.

When he went back to Dow, in 1946, Maj. Gerstacker was still a relatively new employee. He had worked for the company a little more than two years. But by 1948 he was on the board of directors, at age 32. By 1960, he was board chairman, a post he has held ever since.

He is one of the men who helped turn Dow from a small, Michigan chemical company to a multinational giant with annual sales of nearly $2 billion.

For the past four years, he has served as president of the Export Expansion Council. This group, sponsored by the Commerce Department, is designed to spur U. S. businessmen to sell more overseas.

Mr. Gerstacker often makes speeches abroad. When he does, he prefers to address his audience in its own tongue. He has given talks in German, Spanish and Malay, although he speaks none of those languages.

"It's no mystery," he says with a grin. "I get the speech in English. Then we get an expert to translate it and record it on tape. Then I listen to the tape, write it out phonetically and just practice. It's a lot of work, but it's worth it."

Some say that's the story of Carl Gerstacker's life.

He discusses his life, and his company, in this interview with a NATION'S BUSINESS editor.

When did Dow begin its rapid growth?

In 1897, I think. When the company was founded.

Up until the end of World War II, however, we didn't export anything—unless we had a surplus of something and someone from overseas came to Midland and offered us cash for it.

Obviously, we didn't sell very much that way.

Wasn't Dow one of the first chemical companies in plastics? I've heard that plastics were Dow's nylon.

Yes, we pioneered in plastics in the '30s. Today, we are either the first or second in the world of plastics.

Then you must have seen something the other guys missed?

Do you remember what the '30s were like?

At that time, Dow was only a Midland, Mich., company. And Midland was one of the few towns I know of that didn't have a terrible time during the Depression. While Dow had some

trouble, it was doing pretty well. It continued to spend a lot of money on research.

Dow had the foresight to sacrifice profits to develop plastics, ethylene and styrene, when other people were quite bad off.

Really, Dow made synthetic rubber possible. When World War II came, Dow was the company with the process for the two basic ingredients—styrene and butadiene.

So we would have been in bad shape in World War II without Dow?

Yes, sir.

How did Herbert H. Dow happen to start his company in a small town like Midland?

It *is* an unlikely place.

Mr. Dow was a Clevelander. He went to Case Western Reserve University there.

Like all entrepreneurs and pioneers, he was a little bit of everything. He was a good scientist and a good businessman. He was a real good salesman.

He had worked in college on a process to extract bromine from brine. Frankly, he had not worked it out too perfectly, but he sold some people on coming in financially and he started a company in Ohio that went busted.

But in the course of going busted, he worked out the process better.

Then he went and sold some more people on putting more money in. And he heard that Midland, Mich., had some mineral springs.

So he came here and started again.

Did you know Mr. Dow?

Yes. I once played checkers with him. I was a young fellow and he murdered me. I thought he would at least let me come close one time. But he didn't.

He kept murdering me, and murdering me, and murdering me. He didn't believe in fooling around.

If you were making something out of brine, I would think you'd wind up on the East or West Coasts.

No, you want a brine that has a concentration of certain salts in it—more concentration than you get in sea water. We have that here.

You see, the ocean once covered what's now Michigan. It left deep salt deposits when it receded. Now they're underground.

Midland is right over the middle of them. Wells put down here go into thick formations of rock salt, solid salt or brine.

Mr. Dow was pretty lucky. I don't think he understood all the geology. But he picked an excellent spot.

So Dow Chemical Co. started out as a one-product firm?

Yes, a maker of bromine, used mainly as a medicinal, and in the photographic industry. Kodak is one of our oldest customers.

How about you? When were you born and where did you grow up?

I was born in 1916 in Cleveland, and I grew up there.

What was your first job?

Well, other than paper routes, I didn't have any when I was real young. They were hard to get in the '30s.

My first real job was with Dow.

I had an uncle named Pardee who was married to my mother's twin sister. He was one of Dow's financial backers. When I graduated from high school, in January, 1934, I got a job as a lab helper and worked until fall, when I went to college—at the University of Michigan at Ann Arbor.

A lab helper—what does he do?

Mostly wash bottles and other lab equipment—and get blamed for everything that blows up in the lab.

What degree did you get at Michigan?

Chemical engineering.

How come?

That's a good question.

All my relatives had gone to Case in Cleveland and were mechanical engineers. But having worked for Dow a while, I decided I wanted to work for a chemical company, probably for Dow. So when I was a lab helper, I went around asking people what you should take in college if you wanted to work for a chemical company.

My interest was primarily financial. That's what I like. But they told me loud and clear that if I wanted to work for a chemical company, I had to be either a chemist or a chemical engineer.

In those days, Dow hired almost nothing else.

How do you explain your early interest in finance?

My father was a mechanical engineer. But his hobby was investing in the stock market. From the time I was old enough to make any sense, like 13 or 14, he and I would spend our evenings reading up on stocks and on companies, and then would buy and sell stock.

This was in the '30s, and it was a very exciting time to try to make money in the stock market.

Were these paper investments?

No, we were putting up our hard-earned money—including all the money I saved from my paper routes, birthdays and everything else.

When did you join Dow?

I was graduated in 1938, and came to work right after graduation.

Doing what?

I was an auditor for Dowell, Inc., a Dow subsidiary which treats oil wells to increase their production.

As I said, Dow hired only chemists or chemical engineers, or occasionally a mechanical engineer.

But then they put you to work wherever they needed somebody.

Did you spend some time in the Army during World War II?

Yes, I had taken R.O.T.C. at Michigan, because you were paid 20 cents a day. And that seemed like a good deal during the Depression. I was a second lieutenant by the time I graduated.

You may remember that about a year before Pearl Harbor we were making arms for the British. And Congress passed a law that all reserve officers were subject to a year's active duty.

So I made a horrible mistake.

I was worried that they might call me and interfere with my career. So I wrote and asked if there was any likelihood of this happening.

That was the mistake. The Army immediately replied: "Come and report."

So I went in, in December, 1940—a

year before Pearl Harbor—and got out in May, 1946.

Did you ever think seriously of not going back to Dow?

Yes, I had a great start in the Army.

After six years, I was a major. In about 12 years more, I could retire as a colonel. Then, I thought, I could start my own business.

But I told myself, peacetime Army life is going to be kind of easy—and not really challenging. So I'd better get back where life is tougher and you have to work harder at it.

What did you do when you went back to Dow?

It was a little embarrassing. When I came back, they didn't know what to do with me. They would take me around to this department and say: "Wouldn't you like to have Gerstacker?" And then I would see the faces fall.

Finally, they found someone who was willing to have me. That was in production engineering.

I went from there to purchasing, mainly because I had complained that one of our production problems stemmed from a lack of containers—so the purchasing group must be no good.

The purchasing group said: "Well, if you're so smart, we'll hire you."

Then they gave me the container problem to work on.

How did you happen to get into the financial end of the business?

Dow put all the college graduates they hired through a kind of training period.

For a year, you worked in various shops. During all that time, I kind of kept working on financial matters on the side. I remember I redesigned the annual report once.

How did that work out?

I thought it was great. Then someone got it to Willard Dow, the president, and he blew up. He didn't like it at all.

He wondered who had done this terrible thing.

I had done the terrible thing. So that didn't work out so well.

You became assistant treasurer in 1948?

Yes, under Dr. Earl W. Bennett.

He was Dow's great financial man. I had gone around offering to help him, off and on, whenever I could.

Usually he didn't want the help, but I offered it anyway. That's where I wanted to work.

How fast has Dow grown?

In 1946, annual sales were $102 million. Last year, $1.9 billion.

Didn't this postwar expansion take a lot of money?

Yes, we have raised a lot. Last year, we passed a great milestone. We got to where we owed $1 billion. And that's just great. If people will lend you a billion, they have great confidence in you.

Now we are shooting for two billion.

Has borrowing been Dow policy for a long time?

Yes, this fellow Bennett, thinking ahead, decided in the '30s that inflation was going to be a way of life for some time.

The answer, he felt, was going in debt, borrowing as much as possible.

Was this a closely kept Dow secret?

No. Back in 1951, I gave a talk to the Manufacturing Chemists' Association about how to finance growth. I remember well I was going to say you should have as much debt as you can carry.

Then I went to Dr. Bennett and asked: "If this is what we believe, why do we tell everybody? Why don't we keep it a secret?"

He laughed and said: "Nobody is going to believe you anyway."

So I gave the speech.

I understand a lot of Dow employees own stock in the company. How come?

In the company's early days, the founder, H. H. Dow, never had enough capital.

He did everything he could to get more, selling stock to anyone who would take it, including trading stock for services whenever he could.

He also tried to get all employees to buy stock, because he felt they would do a better job if they were

Carl Gerstacker of Dow Chemical Co. *continued*

part owners. Of course, this meant that most of the early employees were stockholders and retired well off.

Also, about 20 years ago, we started selling stock to our employees at about 85 per cent of the market price. About 40 per cent of our employees are in this program.

Do you think it's a good idea?

It's a wonderful idea.

I think all Dow people should have only one investment—Dow common stock.

And I think they should be deep in debt to buy it, as much as they can borrow.

I advocated this so strongly for other people that after a while I said to myself: "Carl, you are phony. You don't owe that much money." So back in 1953, I went and borrowed a huge sum of money and bought Dow stock. And I have been in debt ever since, in a big way.

How did the investment turn out?

Well, the stock I bought, adjusted for splits, dividends, and so on, would cost about $30 a share. And it was over $100 a share Friday. So it has been all right.

Why has Dow stayed in Midland?

Well, one of Herbert Dow's sayings was: "If you can't do it better, don't do it at all."

I think we have tried to stay here because we didn't want to get too aware of what everyone else is doing. Then it's very hard to be different.

We have tried to be different—and better. Sometimes, of course, we were different and worse.

Many of your friends say you are a very competitive guy. Where did they get that idea?

I can't give you any examples, but I think I can explain why. I think anyone who grew up in the '30s was aware of how tough things can be and what a difficult struggle you are in for survival. Then I guess I got a lot from my parents, especially my mother.

She made me fight my own battles. I can remember one time getting beat up by another kid—and knowing she was looking out the window and watching it. I was taking an awful beating. Most mothers would have come out and stopped it. Not mine. When I came in, she wasn't very sympathetic. She thought I ought to go out and try again.

She felt that anything you want to do, you can do—if you are willing to try hard enough and sacrifice enough.

Dow used to be a favorite target for anti-napalm campus demonstrators. Any tips on how a businessman can handle student confrontations?

First, you should know what you believe and state it firmly.

You should do your homework and be prepared to handle criticism.

We also think you should apply the golden rule. Treat the students the way you would want to be treated yourself.

But, if necessary, have security to keep things under control.

Did you ever consider stopping the production of napalm because of the protests?

We considered it. But we felt that our democratically elected government had committed the nation to the war and, although no one liked the war, we felt we could not deprive men who were drafted of a weapon the government said they needed. We didn't feel we had a right to decide what weapons our soldiers should fight with.

What do you look for in young executives who are, hopefully, comers?

I don't think there is much difference in mental capacity between most college students or, if you want to carry it a little further, between races or countries.

The difference lies in the willingness to sacrifice to attain goals.

I asked a Japanese leader a while back why Japan was so successful compared to some other countries that have all the raw materials that Japan lacks. He said a number of things and I kept rejecting them. Finally he told me the real answer.

In some countries, he said, you can pick bananas off the trees and survive. But in Japan, if people were to survive, they had to sacrifice and work hard. And that's what they do.

And that's what I think you look for in young people.

What's responsible for your success?

Let me get back to competition.

I was always fascinated by the Romans. I took four years of Latin in high school. Maybe that's why.

But anyway, I felt very badly about the decline of the Roman Empire. I spent a lot of time trying to determine why it did fall.

I finally decided it was because the Romans ran out of competition. They licked everybody in the world, and pretty soon they lost their competitive edge.

That's why I think we should have erected statues to the Russians 15 years ago. Right after World War II, our country was as all-powerful as Rome in its heyday. But the Russians worried us enough that we stayed competitive.

Do you see any signs of the decline and fall of the U. S. A.?

That's a tough question. My answer is Yes and No.

Since World War II, we have become so affluent, especially our huge middle class which has been our great strength, that there are signs of losing the feel and need for competition, the need to go to the moon—or whatever is the next thing we haven't done.

But I have great faith in the American people. I think we are many years away from reaching the point the Romans reached.

However, that brings up a current problem—the draft.

I am violently against a professional army, and violently for the draft. Unless the wealthiest people's children, or the smartest people's children or the politicians' children are drafted along with the poorest people's children, we are sowing the seeds of our own destruction.

What do you do for recreation?

Well, the thing I like to do best is run a chain saw.

Dow owns a piece of land near here with a woods on it. If you look there, you'll see 75 to 100 elm trees killed by the Dutch elm disease that I've cut down to keep the disease from spreading. It helps you work off your frustrations.

One day I was mad. I left work at 4:30, got my chain saw and cut off the head of the fellow I was mad at 50


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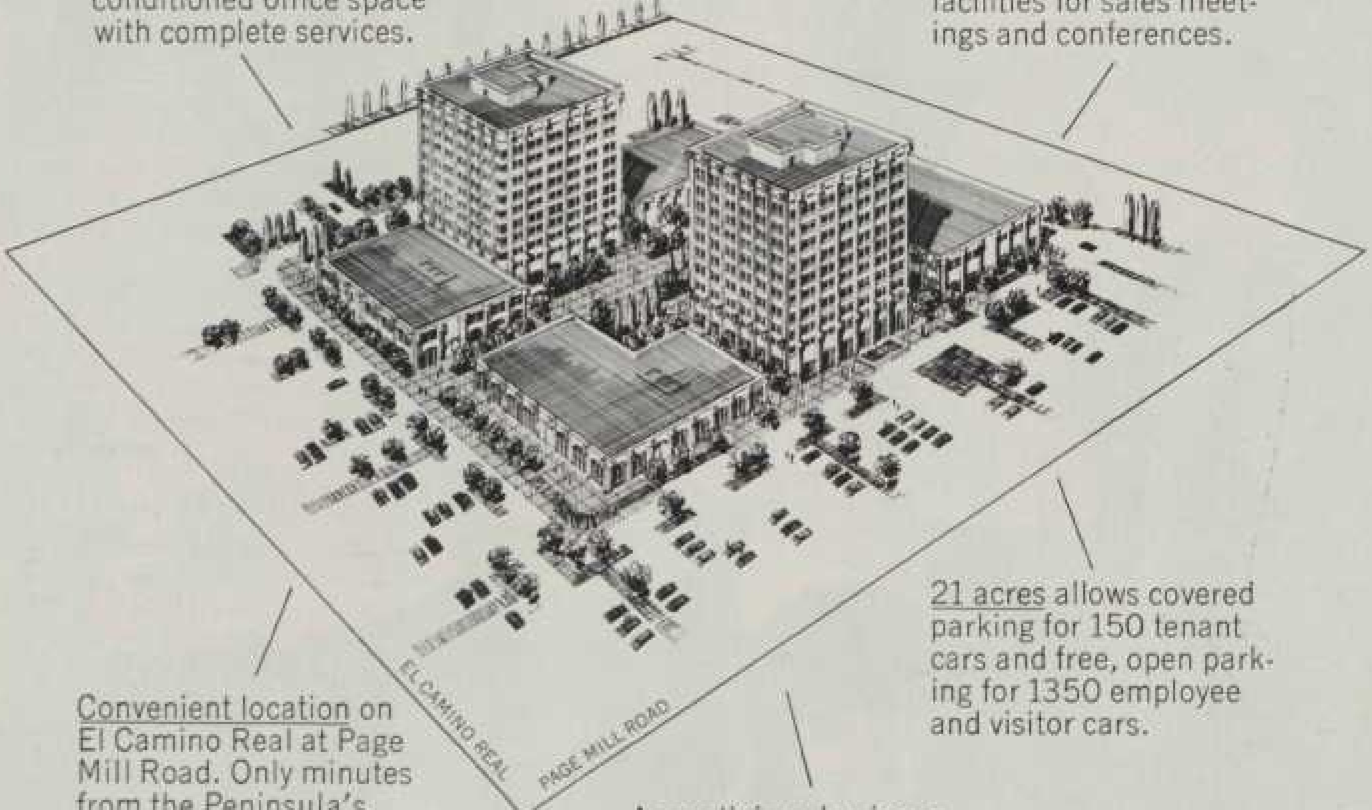

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times—on this tree. Then I began to feel sorry for him. It was unfair punishment.

I also like to play tennis, golf, cards and swim. I took skiing last year. I do a lot of falling but I have a lot of fun.

You seem to have a lot of mementos in this office. What's that cartoon showing you loading ice?

That's a present from my former boss in the purchasing department. He gave it to me at his retirement party, for a gag.

One summer in the '40s, we ran out of ice at the plant.

There was no cold water to drink, and all the men were about to go out on strike. My boss said: "Go find ice. I don't care when you come back."

I drove 71 miles to Cadillac, Mich., and found some ice at an icehouse there.

I tried to buy it, but they said they were worn out from loading it all day long. So I told them how great a crisis we had. They said: "O. K., if you'll help us, we'll sell you a load."

The ice slid down a chute into a pond, where the water washed off the sawdust and straw. They put me at the bottom of the chute—the worst spot they had. There I was, hauling the heavy blocks of ice out of the water and throwing them on the truck.

How about that photo of a bridge?

It's an international bridge that's used to truck material from Mexico to a Dow plant in the States.

I was against the project. I thought building it was the silliest thing in the world. I fought it in meetings.

But I lost every battle.

So when they built it, our fellows decided to have some fun.

They dedicated it to me and put this big plaque on it: "Carl A. Gerstacker Bridge." END

REPRINTS *of "Lessons of Leadership: Part LXXIV—Carl Gerstacker of Dow Chemical Co." may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: one to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Our Most Dangerous Epidemic

An investigating Congressman reports that a white plague —heroin addiction— has swept through our forces in Asia, and warns that its carriers will heighten the drug abuse menace when they come home

PHOTO: GEORGE TAMES

Rep. Steele has urged that October be proclaimed "Drug Awareness Month."

BY REP. ROBERT H. STEELE

The most serious, most tragic and most baffling problem in our nation today is drug abuse.

No child, no school, no home is immune from the epidemic dangers of narcotics.

No business, big or small, is safe from the thefts, absenteeism, turnover, decreased productivity or shattered morale caused by the burgeoning drug problem.

Like snowflakes, a white plague of heroin has blanketed the U. S. military command in Indo-China. The bleak prognosis is that, in an Asian version of an ancient Greek tragedy, thousands upon thousands of American boys will be discharged into society hooked on the heinous "white poison."

Just look at these chilling statistics:

- There are 250,000 "known" heroin addicts in the United States, according to the National Institute of Mental Health.
- The cost of stolen goods to pay for the heroin these addicts need is an estimated $10 billion a year.
- Better than 50 per cent of all urban crime in the United States is drug-related.
- At a minimum, between 30,000 and 40,000 of our troops now in Viet Nam are addicted to heroin.
- In five major U. S. cities last year, according to the Bureau of Narcotics and Dangerous Drugs, drug-related deaths totaled 1,273. The breakdown: Miami—38; District of Columbia—63; Chicago—46; Philadelphia—71; and New York—1,055. Addiction is the single largest cause of death for those between the ages of 15 and 25 in New York City.

A growth industry

Unquestionably, the fastest-growing industry in this nation today is the illicit traffic in drugs. Moreover, it is one of the most profitable industries on earth.

For example, 2.2 pounds of raw opium, the base for heroin, costs roughly $30 at the source. Processed and packaged, it can bring in approximately $300,000 at retail level—with profits ranging from 15 per cent to 1,000 per cent for everyone along the line.

Spawned in the ghetto, drug addiction has hedgehopped to middle-class suburbs, colleges and high schools, to the armed services and, now, to corporations across the country. To support their habit, on-the-job users often become pushers and ensnare co-workers into narcotics addiction

It is estimated that one out of every 40 workers in the U. S. uses drugs illegally and that three out of every four plants with 50 or more employees have a drug problem.

The coffee break has become the "drop" (swallow a pill) or "fix" (injection) break. Liquor in the locker room has been replaced as the scourge of industry by the secreted barbiturate or amphetamine capsule, the sneakily-dragged marijuana in the stairwell or the hastily dumped syringe in the washroom.

Dilated eyes, shaky coordination, impaired depth perception and drowsiness—the addict's symptoms—result in accidents, lost productivity and thievery.

"Strung out" workers reportedly account for much of the $2.5 billion worth of tools, office machinery and

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REP. ROBERT HAMPTON STEELE, *32, a Connecticut Republican who spent five years as a Central Intelligence Agency specialist on Soviet Russia, was the G. O. P. member of a two-man House Foreign Affairs Committee team selected last April to make a firsthand investigation of the international traffic in narcotics.*

other goods stolen from corporations and stores each year. For example, in New York City, which conservatively counts 100,000 heroin addicts, 80 per cent of the shoplifting is attributed to drug users, particularly those employed in the stockrooms of major department stores.

As little as two years ago, drug abuse in industry was considered a rarity. Today it is an exploding problem because new workers, fresh out of school, are imbued with the drug culture.

There is a sad parallel between corporate officials who once denied their firms had a drug problem—and are trying now to cope with it—and the armed services, which once unsuccessfully tried to kick the menace under the rug.

When Johnny staggers home

It took, frankly, a Congressional trip to bring home the horrendous statistics and focus attention on the fact that this nation has a tremendous problem on its hands as "Junkie Johnny" comes marchin' home from Viet Nam.

I recently returned from a 22-day, nine-nation narcotics probe—which Congressman Morgan F. Murphy of Illinois and I conducted for the House Foreign Affairs Committee—with the sickening news that 10 to 15 per cent of American troops in Viet Nam are using heroin.

Top government officials have not only verified there is an epidemic troop addiction rate, but report our statistics, fearfully, may be on the "conservative" side.

This is the Greek tragedy alluded to earlier. In return for the sacrifice of 50,000 American lives and billions of dollars, the U. S. is getting a homeward-bound military force riddled with drug addicts.

At least 60 GI's now die each month from overdoses of the super-grade heroin supplied by our "allies" and marketed with the blessing of corrupt Southeast Asian officials. Both Army

ret'd to W.W. 7/19/71 ~~Steele~~

Though Viet Nam heroin is Far East-grown, most smuggled into the U. S. comes from opium poppies grown in Turkey, principal source of medicinal opium. Here, Mr. Steele (shirtsleeves) inspects Turkish poppies.

PHOTO: WIDE WORLD PHOTOS

Our Most Dangerous Epidemic *continued*

Secretary Stanley R. Resor and John E. Ingersoll, director of the U. S. Bureau of Narcotics and Dangerous Drugs, have been in Saigon recently giving President Nguyen Van Thieu a belatedly blunt list of demands to curb the heroin traffic directed at American servicemen.

It could be a case of too little and too late.

At least 1,000 tons of raw opium are illicitly produced yearly in the Shan States of Burma, the border area of China's Yunnan Province, northern Thailand and northwestern Laos—the so-called "Fertile Triangle." In laboratories in the Burmese-Laotian border area, in Vientiane, Laos, and in Bangkok, Thailand, the bulk of the opium is eventually refined into 94 to 97 per cent pure heroin produced exclusively for the U. S. market and for U. S. troops in South Viet Nam.

The stuff can be bought anywhere, from combat zone to Saigon cabaret, and by American standards of income—even military income—it is dirt cheap. A 97 per cent-pure quarter-gram sells for as little as $2.20. In New York City, a fourth as much sells for an estimated $8, and it's nowhere near as pure. In this country, the strength of heroin is usually only 4 to 6 per cent.

A handy "high"

Although marijuana has always been a problem, there was very little heroin use among U. S. troops in Viet Nam until December, 1969.

Then, GI's discovered that this almost pure heroin could be smoked or snuffed, producing the same "high" they would get from injecting American heroin directly into the bloodstream. Also, there is no odor from smoking heroin, as there is with marijuana. It is less bulky, easier to hide.

And suddenly, the Army found itself in a new crisis. Fifty-nine overdose deaths in Viet Nam were confirmed by autopsy last year and more than 30 others were suspected. At first, commanders refused to believe they had a troop addiction problem. Now, they are scurrying to find a solution.

But the sorry fact remains that a once-magnificent fighting machine has suffered heavy losses in discipline, morale and effectiveness—not because of the enemy, but because of an insidious white powder. The number one domestic crisis facing this nation in days to come will be in dealing with GI users and addicts when they return to the States. After sniffing or smoking the pure stuff in Viet Nam, many will be forced to use the needle in this country to achieve the "high" they are now accustomed to.

And this means higher crime rates to pay for the higher priced, less-pure heroin available Stateside.

Once, the services simply kicked out drug users with dishonorable or bad conduct discharges. But after the scope of the problem hit home, the Department of Defense in October offered a rehabilitation program featuring an olive leaf of amnesty held out to those turning themselves in.

Few servicemen, however, have availed themselves of the program.

The big reason is that there are no "cookbook" solutions to the drug habit and the ready availability of narcotics. The Veterans Administration started a rehabilitation program only a year ago. At present there are five facilities, with eight more planned by 1972. Adequate funds, oddly enough, are not a problem. But finding trained personnel and workable techniques are.

There are, of course, a few bright spots. Administration officials quietly are making control of the international traffic in narcotics a top priority of U. S. foreign policy. The Bureau of Narcotics and Dangerous Drugs, the Customs Bureau and other law enforcement agencies have intensified crackdowns on the flood of high-grade heroin and other hard narcotics coming into the country—a lot of it in military mail parcels.

In Viet Nam, the II Field Force has opened a "Pioneer House" which realistically provides drug information, counselors and medication—and complete amnesty. At home, similar projects have been started at various bases. And the Pentagon has formed an all-service drug abuse committee.

All in all, there is now a great awareness in industry—as in the services—of the drug abuse crisis. But for corporations, as for the services, the newness of the problem makes it difficult to deal with.

Today, our nation of 200 million has an estimated six million alcoholics; tomorrow, that tally may be surpassed by the growing number of heroin addicts.

Corporations should expect that as they recruit from among students and Viet Nam veterans, they risk hiring drug users.

But until all of labor and all of business face the facts, the cost in lower output and lost careers will be exorbitant.

Now that drug abuse has spread to all age groups and social levels, the nation can no longer excuse it by hiding behind cries of "generation gap" or "communications gap."

Omnibus legislation

Implementing recommendations in a report we made on the heroin menace, Rep. Murphy and I have introduced omnibus legislation to provide for detection, detoxification and rehabilitation of GI addicts, using both military and civilian services.

The legislation, which has attracted more than 75 cosponsors, would require that the Defense Department start an extensive urinalysis program to identify military heroin addicts; and that if rehabilitation efforts prove unsuccessful, a military addict may be civilly committed—prior to his discharge—to the Veterans Administration for up to three years of treatment.

Rep. Murphy and I also have conferred with many Executive branch officials. On June 17, after several months of preparation, the President unveiled a far-reaching drug abuse program which closely parallels many of the recommendations in our report.

We hope our input played a role in the formulation of these policies.

The war on drug addiction must be our top national priority. We cannot begin to solve our social problems until we win it.

Let me put it another way. When our country's security is threatened, the threat is met by total mobilization. If we had an epidemic of malaria or polio moving as fast as heroin addiction is, we would declare a national emergency.

We have such a national emergency on our hands. We must fight it with total mobilization of all forces—government, industry and labor. END

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PHOTO: JOHN LAUNOIS—BLACK STAR

Walt Garrison, CDI president, forecasts a continuing boom for the engineering service business, because it supplies technical specialists on a temporary basis. Many large firms now prefer to keep their permanent staffs small, and to bring in temporary employees during periods of peak work load.

Layne Mims has an engineering degree from Auburn University and almost 10 years' experience in the mechanical design of advanced manufacturing machinery.

Now, he's become a migrant.

Layne is not a dropout from his profession. He's one of about 3,000 highly qualified technical specialists on the payroll of Comprehensive Designers, Inc.

CDI, headquartered in Philadelphia, shuttles its personnel on short-term assignments through more than 150 major industrial firms in the U. S., Europe and the Middle East.

Walter R. Garrison, CDI's 44-year-old president and board chairman, says that development of new industrial processes and new products "is being handled more and more on a project basis. Large numbers of specialists are needed for a year or more, during the peak effort on these projects. Since virtually no company can afford to maintain permanent staffs large enough to handle these peak periods, they obtain extra people through engineering service companies such as ours."

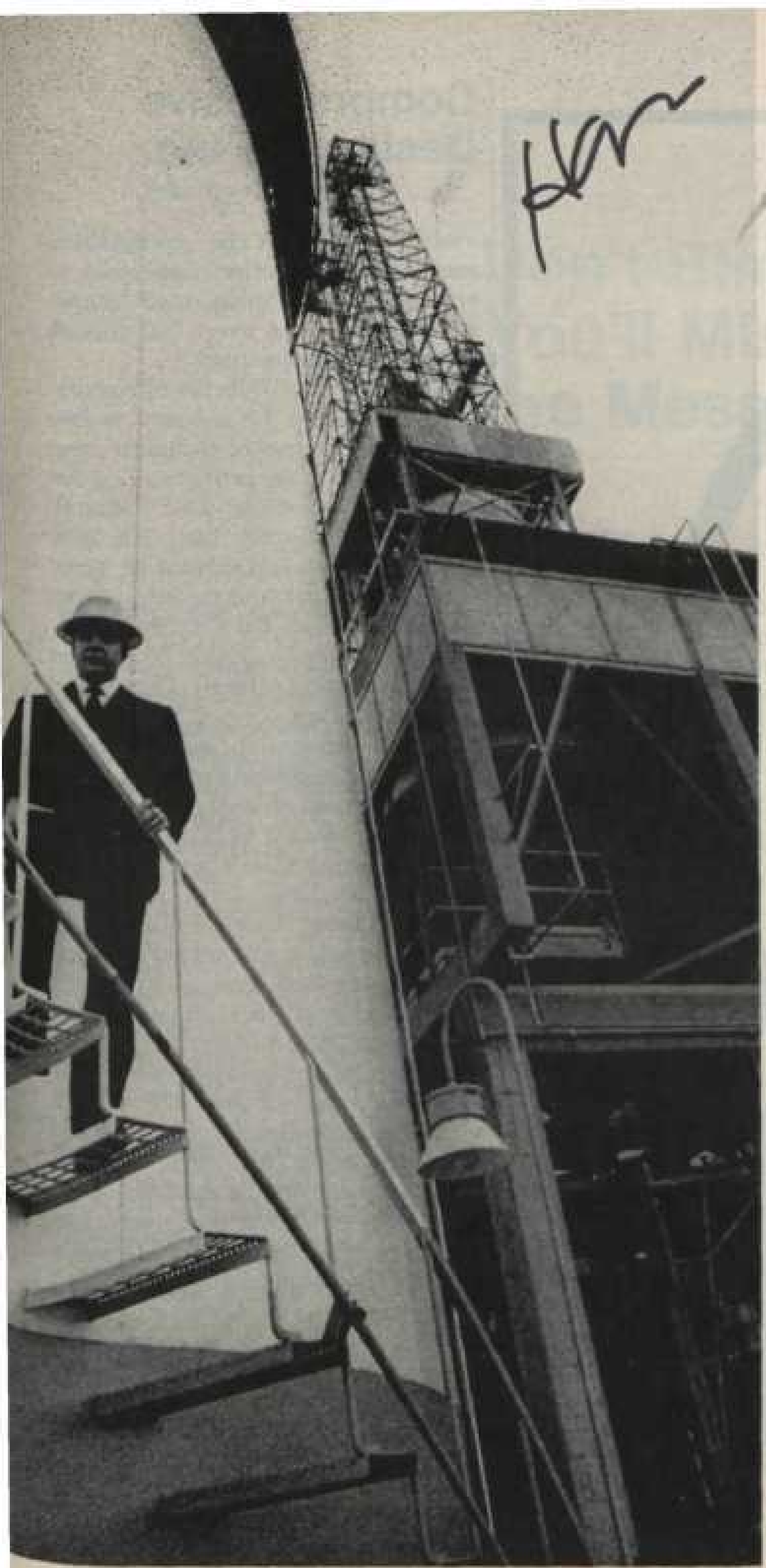
The Apollo program is a prime example of this trend. Some 400,000 engineers, technicians and skilled workers were assembled by government and industry to accomplish the program's objective of landing men on the moon. Now the organization is being disbanded and most of these people are moving on.

"Another good example," says Mr. Garrison, "is a chemical company when the board decides to market a new product.

"They usually figure they have three years or less to design new manufacturing facilities, build the facilities, hit peak production, market the product and get a return on their in-

Have

See O'Neill
Have



Last year, CDI employee Layne Mims worked in the engineering office at the Clark Oil Co. refinery, Hartford, Ill. This year CDI has contracted his services to a chemical firm, for work on new consumer products which are protected by company security as tight as any around military projects. Some 50,000 specialists now work for engineering service companies, and it is expected that their ranks will swell to 100,000 by the mid-1970s. Engineering service companies generally prosper during business slowdowns, when industries are particularly cost-conscious, and the field is highly competitive and becoming more so.

CDI has acquired a dozen smaller firms in the past four years to broaden its technical capabilities and reduce its dependence on government business (which has dropped from 80 per cent to 33 per cent). William O'Neill (left) heads one acquisition, Tampa Bay Engineering Co. It designed the Florida factory in which the Milton Roy Co. is producing an artificial kidney machine—being shown here by Dr. Earl J. Serfuss, Milton Roy president.

Han

Comprehensive Designers, Inc.

continued

vestment before the ,competition moves in. Most often they need to enlarge their technical staff temporarily so they can move fast enough to make the project pay."

Judging from CDI's list of customers, no segment of industry is free from the pressures of technical competition and rush projects. The list includes: Coca-Cola Co.; Mattel, Inc.; Philip Morris, Inc.; Eli Lilly Co.; Mellon National Bank & Trust Co.; Crown Cork and Seal Co.; Scott Paper Co.; Shell Oil Co.; Sun Shipbuilding & Dry Dock Co.; Magnavox Co.; Lockheed Aircraft Corp. and Pabst Brewing Co.

And the demand for such engineering services is growing rapidly.

In the past decade, since Walt Garrison took over as head of the 20-year-old firm, CDI's annual gross income has risen from about $2 million to more than $45 million.

Total market for contracted engineering services now is about $1 billion a year in the U. S., according to Mr. Garrison, and it is growing by more than 11 per cent per year—substantially ahead of the GNP growth rate. The $2 billion level is expected to be reached in 1975-1976.

Competition in the field is broad. Mr. Garrison reports that more than 500 firms are active, with CDI and a New York firm, Consultants and Designers, Inc., in a shifting battle for first place. Between them, CDI and Consultants and Designers have about 10 per cent of the market.

Even tougher competition is expected. Some major companies which have been hurt by defense contract cutbacks are beginning to enter the field. Among them are Ling-Temco-Vought, Inc., Boeing Co. and Westinghouse Electric Corp.

"This business," says Walt Garrison, "isn't any different from any other type of service business. The big objective is to keep your customers satisfied. Satisfied customers are your biggest asset.

"Our future seems very bright. Economists predict that services rather than products are going to spark U. S. growth from a $1 trillion to a $2 trillion GNP in 20 years. We intend to get our share of this new business, and hopefully a little more, too." END

Don't Blink; You'll Miss the Message

Have you seen this sign of the times?

"Whoever enjoys work can sure have a helluva swell time here."

You'll find brief messages of that sort neatly framed on executives' desks, tacked to bulletin boards or posted in company cafeterias. The office sign has arrived. Once a fad, it's now a fixture.

Greeting card companies, and local printers, grind them out as fast as office wags dream them up.

Whatever the precise sentiments, the signs seem to serve admirably as devices to keep up morale—even if the boost comes at someone else's expense.

"Don't be obnoxious. Leave that to me," proclaims the sign of a script girl at the CBS Building on Manhattan's Sixth Ave.

Top management has its own favorites. "The boss may not always be right, but he's always the boss," is one you've probably seen a dozen times on a dozen different desks across the country.

Me, myself and I

The motives behind the signs are as varied as the mottoes they carry. For most junior personnel—secretaries, mail boys, messengers—they are a way of telling the monolithic corporation, "I am me—an individual."

"Don't tread on me" was the way colonial patriots cautioned powerful Britain on a banner 200 years ago. It comes out today as, "Speak softly. I may be your boss next week."

There are countless variations on the irritation theme:

"Don't go away mad. Just go away," is how a Minneapolis bookkeeper says her bit.

"I'd like to help you out. Which way did you come?" asks the sign on the desk of a Tulsa purchasing agent.

These amusing mottoes, often guying the boss and the company, stem from what was originally a tool of management.

Thomas J. Watson Sr., the late patriarch of International Business Machines Corp., is credited with being the pioneer, ordering thousands of sober-looking, black and white "THINK" signs nailed to every wall and placed on every desk in IBM's corporate empire.

But it took very little time for office wags to begin editing these. "Thimk" signs began appearing. Then "Think—or Thwim," and finally, "Think—there must be a harder way to do this."

There's no escaping crisp little expressions of sentiment.

One that's almost universal: "Why is it there's always so much month left when you come to the end of the money?"

Health is another favorite subject:

"Remember Humpty Dumpty. He's just a shell of his former self."

"Death is nature's way of telling you to slow down."

"Support mental health—or I'll kill you."

And in one room where the annual medical checkups are given is this one: "Want the facts—or do you want to keep feeling good?"

There are probably more signs in personnel offices than any other place. You've doubtless seen these, or variations:

"Everyone here brings happiness. Some by coming . . . some by leaving."

"Work eight hours. Play eight hours. But not the same eight hours."

"There's no damn reason for it. It's just company policy."

Salesmen, of course, are the butt of many jests, like these: "Out for a drink of lunch." Or, "Avoid the Christmas rush. Drink now."

Some take note of the opposition: "Love your competitor. It will confuse the hell out of him."

Then there are those sales director memos and this counterbalance: "Keep your eye on the ball. Your shoulder to the wheel. Your ear to the ground. Now try to work in that position."

One Chicago publisher cheers his salesmen with this advice: "Remember. Babe Ruth struck out 1,330 times."

Laying it on the line

The assembly line and the foreman have produced a million mockeries:

"I'd like to compliment you on your work. When will you start?"

"Mistakes will happen. But why must you give them so much help?"

And there's the foreman at Ford's Dearborn plant who displays this one: "Things yet to come. The transmission that will shift the blame."

In New York, a dock crew boss sits in front of a sign reading: "I'm fairly intelligent myself, but I have a lot of stupid help."

And the girls in the stenographic pool have their own messages:

"Flattery will get you somewhere. Start talking."

"Don't mistake courtesy for interest."

"I may look busy, but I'm only confused."

There is nothing really surprising about all the printed and placarded self-expression. Ever since the days of the Neanderthals, man has seen fit to decorate his walls with some form of opinion.

The office sign is Everyman's editorial.—ARTURO F. GONZALEZ JR.

Free Trade? Yes—But!

By STEWART S. CORT
Chairman, Bethlehem Steel Corp.

There are many "myths" about international trade.

One is that everyone else is playing the game under the same rules we are.

Another is that the benefits of more trade outweigh any possible dislocation of domestic industries—even basic ones like steel. No other nation looks on trade this way, and no other nation considers its steel industry expendable. We cannot afford to do so either.

There are no practical private responses to competition aided and abetted by other governments, especially when foreign labor costs are already much lower than ours.

Certainly the least we can ask is that, until such time as those governments can be persuaded to let their steel industries stand on their own feet, our industry be the recipient of something more than pious exhortations. In fact, we need assurance that we will be allowed to participate in the growth in demand for steel in the United States.

By the same token, foreign producers should also be allowed to share in that growth—but not at a rate in excess of the growth in domestic consumption. Since the beginning of 1969, steel producers in the European Community and in Japan have limited their total steel exports to the United States under arrangements they adopted at the urging of our government. These arrangements expire at the end of this year and we believe they should be extended for another two years, with some improvements.

The present setup provides that their exports can increase by 5 per cent a year—about *double* the normal growth of steel demand in this country. This provision is very damaging and must be remedied.

Although we believe it had been understood that the European and Japanese producers would maintain existing patterns of distribution among product categories and geographical markets, they have not done so.

Imports of higher-value products, particularly of the very high value stainless and alloy steels, have risen rapidly, and the proportion of imports into West Coast markets has

Stewart S. Cort not only has been at Bethlehem Steel nearly all his working life, but is the son of a Bethlehem executive. He has had wide experience in the company, becoming its top official in December, 1970.

Last February, Nation's Business published an article entitled "Free Trade Truths—and Myths" in which economist Howard S. Piquet argued for the gradual breaching of all trade barriers and against protecting "weak industries." In this article, the head of one of America's largest steel companies presents a rebuttal from the standpoint of his industry—arguing for a degree of protection which he says is "trifling" compared to that given foreign steel producers by their governments.

increased substantially. These practices have hurt some American producers badly, and new arrangements should rectify the situation.

Finally, the existing arrangements do not apply to certain countries which export significant amounts of steel to the United States. Some of these countries have increased their exports considerably during the past two years, notably in stainless and alloy categories. We hope additional countries may be persuaded to join in the arrangements for the future.

Guarding a "good right arm"

The measure of "protection" my industry needs and asks is trifling compared to that accorded our competitors by their governments.

It is of a type endorsed by two Administrations committed to liberal trade policies. One reason for this nonpartisan endorsement is that this method of dealing with a trade problem does not provide any basis for retaliation. It is done with the consent of those affected. And, in fact, the voluntary arrangements have *not* triggered retaliatory measures.

I think it true that this nation must be a leader, if not *the* leader, toward gradual but steady reciprocal dismantling of trade barriers. We should be magnanimous. But it does not follow that our magnanimity should feed the rapacity of less merciful competitors.

To turn the other cheek is admirable, but it is a suicidal gesture if the blow you are dealt is fatal.

What many Americans fail to comprehend is that the blow that threatens our nation's economy *could be*, if not fatal, at least disabling. Can we not agree that the steel industry is the good right arm of our industrialized economy? If we are not willing to agree that this is so we are unique among all the advanced nations of the world.

And if we are willing to agree that a "strong and viable" steel industry is essential to our economy, can we accept the proposition that its strength and vitality ultimately depend on the level of steel imports reaching our shores? This is no myth. It is a fact.

In support of this assertion, look at just a few enlightening statistics. Steel imports rose from about one million tons (1.5 per cent of domestic consumption) in 1957 to a high of nearly 18 million tons (about 17 per cent of consumption) in 1968.

More significantly, those imports had maximum impact in certain vulnerable areas such as the West and Southwest, where they took over 25 per cent of the total market and as much as 90 per cent of the market for some steel products. Obviously, this situation spelled chaos for U. S. producers, especially for those serving the markets under heaviest attack.

Furthermore, during the term of the voluntary arrangements, foreign makers have concentrated on higher-priced grades. For example, they captured about 68 per cent of the stainless wire rod market and 53 per cent of the stainless wire market.

Considering that the steel industry as a whole registered profits on sales in 1970 averaging only 2.7 per cent, it should be obvious that the inroads of imports are taking a fearful toll.

It should be equally obvious that, in the absence of renewed voluntary arrangements or some other form of import restrictions, imports will continue their climb. And finally, it should be obvious that the American steel industry cannot attain and maintain good health if something in the range of 20 per cent of the total domestic market is captured by imports—and especially if the major impact of those imports is directed at the higher-priced, higher-profit-margin products.

The crucial battle

It is true that the steel industry, like most industries, faces many problems. Still, the make-or-break problem is steel imports. Unless we lick that one, all our other battles are being fought in vain.

Now, let us consider how relentless dictates of academic free trade theory would work when applied to our steel industry.

We can start by accepting certain realities. Reality Number One is that steel products can be made in several foreign countries on a basis that permits them to be sold in the United States in a range of $20 to $45 per ton under domestic prices.

Unquestionably, those competitors have "comparative advantage." Under free trade theory, then, steel is one of those "lines of production in which the United States cannot compete internationally," and, according to the theory, "we must avoid building protective fences around these weak industries."

In other words, free trade theory considers steel to be a "weak" industry, and therefore expendable. I do not agree that our steel industry is really all that "weak," and I most assuredly do not agree that it should be deemed "expendable," but let us continue to explore the avenue down which free trade theory takes us.

What would be the effects on steel consumers and on our nation's overall economy if our domestic steel

Metals Steel Haw

industry were to wither as offshore suppliers took over a major portion of the market?

• Question One: What would happen to steel prices once foreign suppliers control the market?

Would they exercise restraint? All evidence available to us indicates that ruthless price gouging would be the order of the day.

Every time that domestic steel prices have risen so as to reflect higher costs, have not the prices of imported steels followed—without any cost justification whatsoever? And have we not time and again seen the prices of steel imports rise *above* domestic prices during periods of tight supply in our markets?

• Question Two: What assurances would American steel users have of a continuing source of supply in the event of an international crisis?

Within my own lifetime there have been periods when we could not realistically look to any of the major producers in other countries as a reliable source of steel products.

Similarly, one can imagine countries withholding steel so as to enforce high prices here. This possibility is hardly farfetched, considering the recent tactics of the oil-exporting nations of the Middle East.

Even a more innocent development, such as a sudden upsurge in home markets, could impel foreign producers to significantly reduce their steel exports to the U. S. Indeed, this is precisely what happened only a year ago in Western Europe.

• Question Three: What about national defense?

How could we gird ourselves to meet a threat to our security without a reliable supply of steel? Are there sufficient ploughshares and pruning hooks available for reconversion into the weapons of defense?

I think not. Granted, military needs have normally represented only a small fraction of total domestic production, but they are nevertheless vital. These needs embrace highly specialized grades and types which are the products of continuing intensive—and expensive—research. This cannot, however, be supported solely by production for military purposes.

An example of current steelmaking technology: Molten steel is poured from the ladle into ingot molds before being processed into a useful shape at a rolling mill.

A much broader base is necessary.

And what a Looking Glass world this is, when a steel executive is reduced to arguing that a viable steel industry is essential to the security of his country!

So much for our nation's need for a healthy steel industry, even without considering domestic employment, purchases, the colossal investment in the steel industry, or the industry's contribution to meeting the tax burdens of our complex society.

Losing an edge in steel

Let us consider now how this great industry got into its present fix.

There are those who agree with an unidentified government official who recently explained the plight of the steel industry to a wire service reporter. "The American steel industry," he said, "has let its equipment become obsolete."

That accusation is, to put it bluntly, false. Through the decade of the 1960s, our steel industry's capital expenditures totaled $16.3 billion, largely for modernization rather than net expansion. If the industry has indeed "let its equipment become obsolete," it has not been because of parsimony.

But I would be the last to argue that we have not lost much of the comparative advantage we once enjoyed. What are some of the reasons?

First, the steel industries of major foreign competitors such as Japan and West Germany have been built largely from the ground up since World War II.

In fact, the expansion of the Japanese industry has been so rapid that half its present facilities are not more than five years old. Obviously, those industries are more modern, on the average, than ours. Nevertheless, steel output per man hour is still higher in this country than in any

other, although the margin is not nearly as great as it was and our edge is steadily diminishing.

Second, today's steelmaking technology is world-wide.

American equipment and expertise were primarily responsible for the phoenix-like rise of foreign steel mills from the ashes of war. In fact, it was American tax dollars, in large measure, that paid the bills for the initial revival. And today, even though we readily admit that foreign competitors deserve a great deal of credit for their own innovations, they continue to draw on the technology of our country to improve their steel industries.

For example, we have led the way in iron ore and coal processing and in high-speed rolling mill technology. Industries in other countries have consistently borrowed from us in these fields. In fact, many of the most modern installations of American-designed production facilities are located abroad.

This brings me to my third explanation for our loss of advantage. Only after you realize that steelmaking technology is completely international can you comprehend the simple reality that the availability of funds plus the willingness to spend them is all it takes to have a thoroughly modern and efficient steel industry.

No steel company and no steel industry in any nation possesses magic formulae or arcane "secrets" that can give it any substantial and lasting edge as a steel producer. A commitment of resources is all that is required. And in this regard, our most worrisome competitor is twice blessed.

Capital and labor costs

In Japan, virtually unlimited capital is made available (however indirectly) by the government, and the installed cost of integrated steel plants is about one third that in the United States. This great additional comparative advantage in capital costs results from low hourly employment costs in construction.

Labor is a major factor in the installed cost of steel plants. In other words, the much lower hourly employment costs of foreign producers give them a double advantage—both in capital costs and in operating costs.

Lower capital costs mean less invested capital per ton of steel products shipped. And this, in turn, translates into a higher rate of return on investment for offshore producers despite a lower profit per ton.

To give you a better idea of what we are up against when we gaze westward across the Pacific, it would be well to take a look at Japan's national goals in steel. Japan wants an output matching that of the United States (and *doubling* our per capita production) by 1975! Further, this expansion contemplates doubling steel mill exports every four years. Clearly, the Japanese nation recognizes the desirability of a strong and growing steel industry.

My fourth and final point relating to our reduced competitive edge in comparison with foreign producers lies in the decisive matter of unit costs.

It is not wage levels *per se* that determine competitiveness, but unit costs. High wages can be, and often are, offset by greater productivity. In fact, that is why American wages rose so far above those in other countries in years gone by without affecting our competitive position.

Unfortunately, our competitors now boast both wage scales far lower than ours *and* productivity approaching our level. Thus Japanese steel wage costs (which vary between one fourth and one third of ours), coupled with relatively high productivity, yield unit labor costs $40 to $45 per ton under ours, according to the U. S. Bureau of Labor Statistics. Similarly, European steel producers are favored by unit labor costs typically $20 to $25 per ton under ours.

Putting it another way, we would have to reduce our labor input (man hours per ton shipped) by *70 per cent* in order to nullify the Japanese advantage in unit labor costs, assuming no change in current hourly employment costs.

The significance of the competitive cost advantages can be better appreciated when one realizes that the average U. S. price for a ton of steel is on the order of $175. It does not require much knowledge of cost accounting to see that a cost advantage of $20 to $25, much less one of $40 to $45, is decisive when the product sells for about $175.

There is no technology by which we can overcome the cost advantage enjoyed by offshore competitors. Nor can we offset it by cutting prices, considering that our net income *before* taxes averages less than $10 per ton.

At least one third of world steelmaking capacity outside the U. S. not only is favored by "government supports," but is government-owned, wholly or in major part. And, might I add, nationalization represents the ultimate in subsidization of an industry. If free trade theorists object so strongly to the mild "protection" we ask, would they prefer the vastly more comprehensive protection that a nationalized industry requires? I think not.

Most of the remainder of steelmaking capacity in other countries is government-supported and nourished to a degree unheard of in the United States. Mergers and cartels are condoned if not actually encouraged. Steelmakers are insulated from some or all of the rigors of domestic free capital markets. Tax policies are designed to assist growth and to enhance export of steel.

Their barriers are high

And virtually all of these countries have erected nearly insuperable barriers to unwanted steel imports. To cite a typical example, the "cost of entry"—total of duties, taxes, etc.—to get $100 worth of U. S.-made carbon steel bars into France is over $33; but it's only $7 to bring $100 worth of French-made bars into the United States.

What is the answer? At this point I wish to reassure the advocates of free trade and all readers that I, too, prefer a solution that conforms as closely as is possible with the ultimate achievement of truly free—and fair—international trade. But what is the situation now?

Some say that "producers must learn to stand on their own feet without government supports."

I wholeheartedly agree.

But the principles that apply to our own steel industry must apply equally to all others as well, if we are to compete on a fair basis.

This is not the case today. END

How the States Are Attacking the Welfare Mess

Hart

PHOTO: NEW JERSEY NEWS PHOTOS

Gov. William T. Cahill of New Jersey (shown on a tour of a troubled Newark area) was "shocked" when briefed on increases in state welfare costs.

Worried about rising state spending, New York legislators passed a bill in 1960 to deny welfare payments to people who had lived in the state less than a year.

Gov. Nelson A. Rockefeller vetoed it with a lecture to the lawmakers.

The sound administration of welfare, he said, "does not lie in erecting unsound barriers to our helping those in need. The fact is that we cannot reduce the costs of public welfare by such an easy device."

This year, the legislature again passed a bill requiring a one-year waiting period before qualifying for relief.

The measure was proposed by Gov. Rockefeller himself.

He now said such a law "is essential to protect the state's economy and social viability."

Why the turnabout?

In the 11 years since the veto,

Hart

Michigan's welfare spending takes 24 per cent of the state budget, reports Gov. William G. Milliken.

PHOTO: TONY SPINA

annual welfare costs in the Empire State had shot up almost 400 per cent—to nearly $4 billion this year.

Passage of the residency bill and other tough measures in New York was part of a pattern spotlighted by a NATION'S BUSINESS survey of Governors, who must continually grapple with the welfare issue.

State after state has adopted or is working on proposals to check runaway welfare costs, which most Governors claim could undermine the quality of education and other services. Many of them fear the unchecked drain of tax funds into welfare could even affect their states' fiscal stability.

The survey also showed:

• There is a far more determined effort by state officials to crack down on welfare cheats. Many defenders of the welfare system have long argued cheats represent an insignificant part of the total relief caseload—but this contention is no longer accepted as readily as it once was.

Steps taken include New Mexico's "100 per cent review" of all cases and a Massachusetts plan for creating the office of "inspector general" of welfare. He would have a staff of 20 trained investigators, some of them on loan from the State Police, to root out fraud and maladministration.

• While the '69-70 business slowdown was a factor in sharply increased caseloads, other considerations are at work: Court decisions and federal directives that relaxed controls and imposed higher costs; continuing disintegration of family life; lack of adequate machinery to track down fathers who desert families; and a growing sentiment, fanned by militant "welfare rights" organizations, that there is no stigma to being on relief.

With Congress considering a massive plan to overhaul welfare—a plan some critics say would worsen, not solve the problem—there is little doubt that 1971 is the year in which demands for reform reached a crescendo both in statehouses and in the national capital.

PHOTO: DENNIS BRACK—BLACK STAR

Annual welfare costs totaled under $100 million in Alabama when Gov. George C. Wallace was elected to his first term in 1962, but were nearly $170 million when his second term began this year.

This sampling of replies from every section of the country shows why:

Gov. Tom McCall of Oregon: The welfare situation is "out of control and caseloads are increasing beyond the ability of the state to fund. Increased state costs of welfare will soon make it impossible for the states to adequately meet other essential program needs, such as education, public health and mental health."

Gov. Deane C. Davis of Vermont: "Solution of the welfare problem is among the most urgent business facing Vermont. The current programs are demonstrably unsuccessful and financing them five years hence will require diversion of resources from education, health, mental health and other essential social services."

Gov. Richard B. Ogilvie of Illinois: "The existing system of public welfare is a social and financial disaster." His state budget bureau reports that higher welfare costs in the coming fiscal year will take 84 per cent of anticipated state revenue growth and adds, "if this trend continues, the consequences are obvious."

Gov. George C. Wallace of Alabama: "The welfare situation is critical. Not enough state funds to meet needs of public welfare . . . and the cost of the Medicaid program."

Gov. Jack Williams of Arizona: "The welfare system nationally is a

Without reform, Gov. Reubin O'D. Askew of Florida sees "continued expansion of welfare rolls."

How the States Are Attacking the Welfare Mess *continued*

disaster and state after state is facing bankruptcy as a result of excessive demands on welfare funds. Restrictions and regulations imposed upon us by courts and federal policies allow the people of Arizona no real control nor provide any realistic guidelines, yet they affect the substantial costs that must be paid by Arizona taxpayers."

Gov. William A. Egan of Alaska: "The needs have simply outstripped the ability of the state to meet those needs."

The great irony of the welfare crisis is that it developed during one of the most prosperous periods in the nation's history.

As every economic indicator rose to record heights during the second half of the 1960s, so did the welfare rolls and the amount of tax money that went to them.

From 1960 through 1970, the number of persons on welfare skyrocketed from 6.8 million to 13.5 million. Costs went from \$3.7 billion to over \$14 billion.

Then, as business turned downward, revenues lagged and many people who previously had been helping pay for welfare became applicants for it. Now, nearly 14.5 million people are welfare recipients.

States big and small are now seeking a way out. Here are some of the steps taken or recommended:

New Mexico: A 100 per cent review of all welfare cases has been launched to weed out ineligibles. A permanent "task force of eligibility review specialists" will operate in the 15 largest counties. Payments under the program of Aid to Families with Dependent Children were cut back a little over 2 per cent for a saving of \$850,000 over a 14-month period.

Says Gov. Bruce King: "Nothing plays more havoc with state fiscal planning than the enormously burdensome and unforeseen demands welfare makes upon our general fund, and in a way over which, it seems, we have little control." Annual welfare costs leaped from \$19.3 million to \$37.5 million from 1960 to 1971.

Massachusetts: Gov. Francis W. Sargent has called for legislation permitting him to appoint a welfare inspector general with orders to "root out those who cheat our welfare system, be they recipient or provider of welfare services." The latter would include those from whom welfare families buy goods or services.

Welfare cheats uncovered would be prosecuted and made ineligible for further aid. A vendor found cheating would be suspended from further business with the state.

Rules for welfare eligibility in Massachusetts, where the 1960–1971 jump in costs was from \$147.8 million to \$718 million, have been tightened. The changes included a reduction from \$250 to \$50 in the amount of financial resources an individual could retain and still qualify for welfare.

Kansas: Gov. Robert B. Docking has recommended expansion of the state's vocational rehabilitation program "to concentrate on rehabilitating welfare clients" and putting them back in the labor market.

"Neither Kansas nor any other state has the necessary authority under federal laws and regulations to control these increasing welfare costs," his report to NATION'S BUSINESS says. "No government program needs reform more. . . ."

Welfare costs in Kansas' went from \$52 million in 1960 to \$151 million this year. A report from Kansas Social Welfare Department shows that the Plains area is plagued with many of the problems that have driven welfare costs up in more crowded parts of the nation.

In Kansas, unemployment was 42 per cent higher in 1970 than it was in 1960. In the same 10-year span, divorces jumped 59 per cent, illegitimate births 150 per cent, court referrals for juvenile delinquency 226 per cent, and court referrals for dependency and neglect 48 per cent.

New Jersey: Gov. William T. Cahill backed a plan to make work incentives a more effective way of getting people off welfare. He said one goal would be elimination of "the unacceptable situation wherein families of moderate size, with salary incomes in excess of \$10,000, remain eligible for cash welfare grants and related benefits."

He estimated savings of \$15 million a year in state and county welfare expenditures.

Says Gov. Cahill's report to NATION'S BUSINESS: "I was shocked when the budget bureau gave me my first look at the problem and told me that I had to prepare for a \$100 million increase in a single year. . . . Welfare costs have absorbed the entire increase in the state sales tax."

Welfare costs in New Jersey went from \$62 million in 1960 to \$356.7 million this year.

Illinois: Gov. Ogilvie proposed major welfare reforms, with the statement that rapidly increasing relief costs "are producing a crisis in Illinois' state financing. . . ."

Instead of getting relief checks by mail, recipients would be required to report to state employment offices, where they would discuss job possibilities with counselors before getting the checks.

Gov. Ogilvie's program also calls for stiffer controls to prevent fraud.

PHOTO DAVID FALCONER—BLACK STAR

Gov. Tom McCall of Oregon, who is among chief executives concerned that welfare costs will undercut other public services, has moved to curb increases.

It proposes new rules to reduce the cost of Medicaid, and provision of more state and local government jobs to put welfare recipients to work in return for state support.

"Any recipient who refuses to work will be summarily denied further benefits," the Governor said.

Welfare costs in Illinois went from $241 million in 1960 to $919 million this year.

Vermont: With welfare costs now more than five times what they were in 1960, Gov. Davis has asked the legislature to enact a package of reform proposals.

They would enforce "the moral obligation of spouse for spouse in matters pertaining to the essential welfare of both of them"; make a man who lives with a woman—whether or not they are officially married—responsible for support of dependent children; make an adult responsible for support of parents, and stepfathers responsible for support of stepchildren.

Oregon: Gov. McCall ordered all state agencies to reduce spending when faced with a $19 million welfare deficit for the 1969-71 biennium. He also moved to tighten eligibility, cut down on fraud and intensify efforts to locate deserting fathers—a pattern repeated in several other states.

In other steps to meet Oregon's deficit, the price of liquor in state-operated stores was raised and the State Emergency Board deferred allocation of funds appropriated for construction in the state university system.

The total welfare bill in the state this year is estimated at $141.4 million, up from $40.6 million in 1960.

Georgia: Gov. Jimmy Carter, taking office this year, called for a double-barreled approach: Increase the social rehabilitation and job-training potential of government programs and get at the roots of the welfare problem through education, vocational training, low-income housing, health care, family planning programs, improving criminal justice and attracting new industries to provide job opportunities.

With a caseload of over 212,000 persons and costs up to $178.6 million from $95.6 million in 1960, Gov. Carter comments to NATION'S BUSINESS: "The numbers are large and troubling."

Alaska: Gov. Egan also is looking to industrial development to help ease the welfare problem, but his situation is highly unusual. He is pressing for approval of the long-delayed pipeline to carry oil from the North Slope to ice-free ports.

Construction of the pipeline, and opening of the oil fields, will spur the state's economy. But, the Governor says, "unemployment caused by delayed construction will force rising (welfare) caseloads at a time when the state is being denied access to revenue from its natural resources."

A half-dozen states report they have implemented, or are considering, a state take-over of welfare financing and administration from counties and localities, to save on costs through centralized operation.

Meanwhile, there have been some setbacks in state-based efforts to win major reforms in welfare operations.

A California State Senate committee has rejected a sweeping plan advanced by Gov. Ronald Reagan with the goal of saving $157 million a year on welfare costs. [See "Saving the States From Bankruptcy," NATION'S BUSINESS, May, 1971.]

Gov. Reagan pledges, however, that he will continue to fight for "realistic welfare reform"—including a ceiling on appropriations. He adds that the alternative would be a "gigantic tax increase."

In Wisconsin, Gov. Patrick J. Lucey takes a different approach from that of most of his fellow Governors, cautioning against sharp welfare cutbacks.

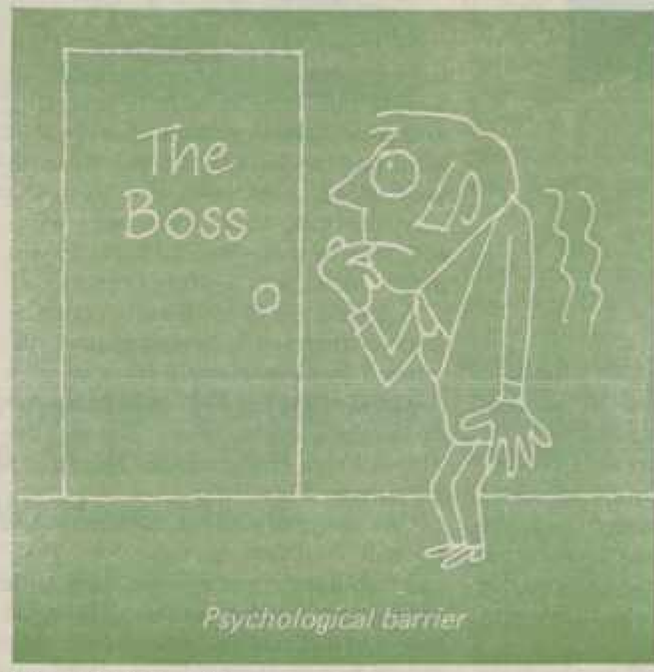
"It would be a tragedy which would shadow this state and its people for years to come if we were, in a moment of fiscal emergency, to impose new hardships on those already so heavily burdened," he says.

A rare bright note comes from West Virginia, where Gov. Arch A. Moore Jr. reports the welfare laws were overhauled last year with the assistance of a task force of businessmen. One outcome was a 35 per cent reduction in administrative costs.

But in most states the view is that of Nevada's Gov. D. N. O'Callaghan. Without reforms, he says, "The entire welfare program will soon be unmanageable." END

Breaking the Fear Barrier

A psychological obstacle between managers and those they supervise can hinder a company's progress



Psychological barrier

Why can't today's upper management get information from middle managers, staff people and the men "on the line"?

Why is upward communication often inadequate?

Management experts feel a psychological barrier blocks the road, a barrier built of fear.

Whether or not the fear has foundation makes little difference. Its presence causes upward communication to suffer.

The fear that grabs a man when he's talking with his boss can have many causes, any one of which can disrupt his message or distort it.

Fear of being criticized, disciplined or denied promotion will make even the strongest supervisor hesitate before presenting "all the facts" to the boss.

The simple fear of displeasing him may be enough to cause information to be held back, given in understated form or even covered up completely.

Try as he may, the boss often finds it hard to take off the hat which proclaims him the leader. His subordinates always see him as the boss and they tend to say what he likes to hear, or say nothing at all.

Who is willing to take the blame for loss of a customer or failure to get a contract? Isn't it easier to use general rather than specific terms when telling why a goal wasn't attained?

Too much communication takes place under this cloud of fear—probably more than management realizes.

Even the lowest level of supervisory interchange, between a worker and his immediate superior who is explaining how to do a job, is not immune from the fear problem.

Fear's many facets

This fear or timidity surfaces in many ways.

Some may show they are ill at ease by stuttering or stammering.

Others reveal their self-consciousness by giving wrong or misleading answers in their eagerness to end the conversation.

A man may refrain from asking for information for fear that he may be chided for asking a "foolish" question—or for not knowing a procedure which supposedly is part of his job.

Fear that a supervisor may take a suggestion the wrong way will cause some men to clam up completely. Will a worker risk questioning his supervisor's judgment, especially when there is no strong evidence that the supervisor isn't right? Not unless there is close rapport between the two.

A questioning attitude which irritates his supervisor might put the worker in the doghouse.

Other information may be held back for fear it will be used against him or his fellow workers. Such situations often exist where there is a union-management disagreement or where the feeling prevails that the company will crack down quickly if lax job performance is brought to light.

Consider how unwilling workers are to sign statements that they checked off safety steps before performing a job which entails some risk. They refuse, of course, in the belief that compensation claims then will not hold up in court if they are injured.

Another example is the worker who is asked to talk with the boss in his private office.

He doesn't know what he faces. Will he be reprimanded for poor work performance? Or asked who was responsible for some horseplay? His anticipatory fear can persuade him to say as little as possible.

But reluctance to communicate upward is not limited to the rank and file. It is also present at the staff level, although the reasons for it may be different.

Why should a man hesitate to make a report to his superior or a committee? Many people are reluctant to do so if the report is unfavorable to something the company has done or is doing. They fear this may expose them to criticism, lead to a distasteful future assignment or jeopardize a future promotion.

They also are aware that the report may prompt someone to ask specific questions which they cannot answer.

W. H. WEISS, *author of this article, is a professional engineer with the state of Ohio, and a former manager of engineering in a manufacturing plant.*

Do employees feel free to talk frankly even when leaving the company? Not all do, a recent survey reveals. This is especially true if the man is skilled and has limited opportunities for other jobs. He may know that too many people have burned their bridges behind them only to regret it later.

What to do?

If fear clogs company communications, what can be done about it? How can we knock down this psychological barrier?

Dr. Rensis Likert, director of the University of Michigan's Institute for Social Research, says:

"It is significant that when we look at organizations today, we find that the greater the group loyalty, the better the supervisor is informed about the attitude, points of view and situation of his subordinates. Upward communication as well as downward communication is performed significantly better."

Russell DeYoung, chairman of the board, Goodyear Tire & Rubber Co., states:

"As managers, each of us must accept the personal responsibility to communicate with our people. Equally important is upward communication from employees to management. If proper decisions are to be made, we must depend on members of the entire organization to let us know about their problems and needs.

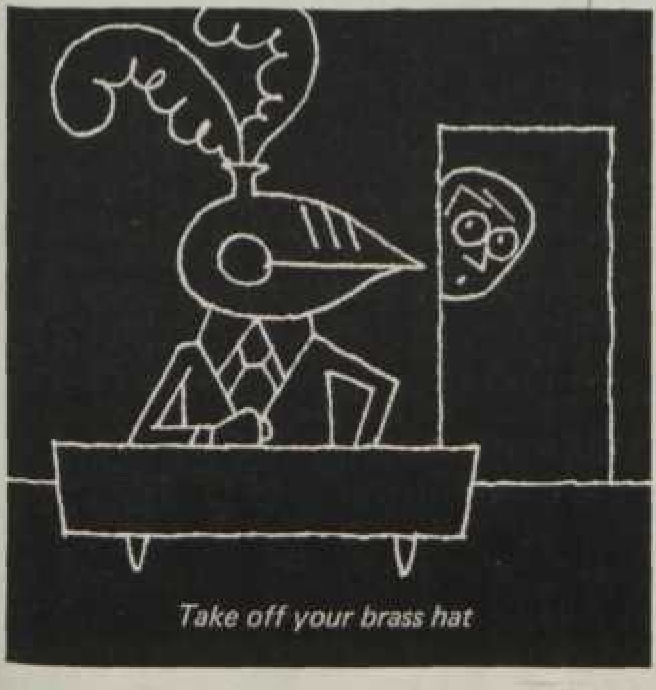
"Obviously, the success of upward communication depends on each manager. Only as we maintain the respect and confidence of our people will they feel free to talk to us about those problems."

These views indicate a strong relationship between upward communication and work attitudes.

Companies which have communication problems may not be placing enough value on the main desires of their employees.

Foremost in the minds of most employees are the desires to:

- Be recognized and given appreciation for work done.
- Be kept informed so they feel "in" on things.



Take off your brass hat

Meet employees' needs

- Receive friendly, sympathetic advice on personal problems.

Understanding and willingness on the part of managers to meet such needs can reduce communication fears.

The attitude of the manager himself towards communicating is important.

Does he consider himself a good communicator? He may not realize that how he says something may be just as important as what he says.

Does he motivate, inspire and encourage his people by asking for their opinions, thanking them for their comments? He may be hasty to judge without getting the facts.

At some companies, meetings are held to enable the manager or supervisor to get to know his people better. The conversation is about things other than the job and its problems. The manager learns of the worker's family, interests and attitudes. Such knowledge often makes it easier for them to work together on the job.

Employees today are more widely educated, better trained and differently motivated than those of the past.

Their psychological and social backgrounds tend to make them more likely to resent authority than to respect and obey it blindly.

It may take specialists in industrial relations and personnel relations to reach some of them successfully. But better communication between management and employees would justify the effort.

Management can do many things to keep its workers' upward communication open. Eliminating fear is probably the most effective. Upward communication will always flow better when that barrier is knocked down. END

REPRINTS *of "Breaking the Fear Barrier" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.*

Developing a Resource: The Black Executive

Companies and colleges are joining to tap a reserve of management potential

It's a long way from Rome, N. Y., to Park Avenue.

But James H. Scott made it.

It's a long way, too, from Sioux City, Iowa. But Henry Fields also made it.

Both are black executives who owe budding careers to the Consortium for Graduate Study in Business for Blacks.

The consortium was formed five years ago to enable more black Americans to reach the corporate executive suite by way of graduate business schools.

A $300,000 Ford Foundation grant helped launch the consortium's program—in which blacks, recruited in a joint effort by a group of universities, study under fellowships. More than 100 of the nation's larger corporations now support it.

They are prompted by self-interest as well as social consciousness.

"All companies are interested in being successful," says Wallace L. Jones, associate director of the consortium. "And to be successful, you must have good management that can make a profit.

"Many companies realize there's a vast reserve of management potential among blacks that, in the past, hasn't been tapped."

Both Jim Scott and Henry Fields earned their Master of Business Administration degrees with the help of the consortium's two-year fellowships, now $3,000 plus tuition.

Today, Jim Scott is an account manager at First National City Bank in Manhattan. His office is on the twelfth floor of the Park Avenue GHQ of this banking giant—one of

James H. Scott, a former Peace Corpsman, taught school in Guyana. Now, as an account manager at First National City Bank in New York, he passes on million-dollar loans to corporate giants.

the largest in the world. He arrived there by a roundabout route through the Patent Office and Peace Corps, among other way stations.

"My parents," he says, "started from scratch. But they saw opportunities and made the best of them. My father is a foreman at Revere Copper and Brass in Rome, N. Y.

"We had a two-story frame house on a quiet tree-lined street. We were the only black family on the block.

"I worked at Revere, too, one summer, to make some money to help pay my way through college. I went to Villanova, and got my degree in electrical engineering there in 1965. But I wasn't sure what I wanted to do.

"I worked for a year at the Patent Office. At night, I studied law. But I didn't want to spend my life examining patents. There wasn't enough action.

"So I joined the Peace Corps and went to Guyana."

He shared a $28-a-month bungalow in the little South American nation's capital, Georgetown, with a fellow Peace Corpsman, Larry Leighton.

"It was on the wrong side of the tracks," Mr. Leighton, who is still in the Peace Corps, recalls.

"We lived like the people. The Peace Corps thinks that's a good idea. We lived fairly well, though. We had running water, a stove, most of the conveniences you really need—but not hot water."

Mr. Scott lectured at the Government Technical Institute at Georgetown. He did other things too, like make the Guyana National Rugby Team. (Guyana is a former British colony.)

"Part of rugby is the social life," Mr. Leighton recalls. "The team—black and white—is pretty close off the field, as well as on. They drink beer together and rehash the game."

Mr. Scott got along well. His teammates elected him captain—quite a compliment to a foreigner.

He learned of the consortium from a Peace Corps bulletin listing job and career opportunities for returning volunteers. He fired off an application, special delivery.

"I think a business career was always in the back of my mind," he says. "I had taken the test for admission to a graduate school of business when I finished Villanova. But I never followed up."

He was accepted by the consor-

Once, educated black Americans were told business was off limits to them as a career choice. Now, men like Henry Fields find a success route is open in the corporate executive suite.

tium, earned his degree at Washington University in St. Louis last year, then went to work at City Bank.

Just a block away, Henry Fields is a financial analyst at Bristol-Myers Co.

His office looks out toward the Waldorf Astoria Hotel and the towering cliffs of the Pan American Airways building. Here, Park Avenue is a glittering canyon of stone and glass, lined with the headquarters of corporate giants like Union Carbide, ITT and Lever Bros.

"I was a product of the sputnik era, when everyone wanted to study math and work with computers," he says.

"After serving a hitch in the Navy, I went back home to Sioux City, Iowa. My father worked in a meatpacking plant there.

"This was 1961. There weren't many jobs open.

"So I applied for admission to the University of Washington as a math major. I had served on the West Coast, and liked it. I was accepted and went there two years.

"Then I dropped out and went to work for IBM, but returned to get my degree. I found I wasn't too happy in math.

"My counselor suggested I try some business courses. I took a few, like quantitative business analysis. That's solving business problems by use of mathematical techniques.

"I got better grades in the business courses, and I seemed to enjoy the environment better than pure math.

"Also, with the social changes in this country, there seemed to be new opportunities opening up for blacks in business.

"So I just changed directions."

He, too, applied successfully for a consortium fellowship, got his business education at Indiana University, then joined Bristol-Myers.

Demand outpaced supply

"Five schools joined to form the consortium," says its director, Dr. Sterling H. Schoen. "Indiana University, the University of Rochester, the University of Southern California, Washington University and the University of Wisconsin.

"It was obvious there was a growing demand from business for blacks at the management level. In fact, the demand was greater than the supply.

"One of the best routes to management is via the graduate business school. We felt this opportunity should be made available to more black students. At the time, in all American universities put together, some 13,000 students were enrolled in graduate business programs. Only about 150 were black."

But it was hard to find able black candidates, schools found, who were willing to invest two years in a graduate degree. Many distrusted the white business community. They felt that no matter what business said, blacks really had no chance to succeed there.

Business traditionally was not a career for blacks.

Teach or preach

Charles Randall, now an IBM executive in Mamaroneck, N. Y., puts it this way:

"My folks told me, 'Son, you have only two choices, to teach or to preach.' And when I went to college as an undergraduate, my professors said the same thing.

"Not until someone from the consortium talked to me about the opportunities which exist in business did I give serious consideration to a managerial career in it."

Some, who had the talent and desire, also had conflicting family obligations.

For example, an oldest son whose family had sacrificed to put him through four years of college.

Often, he felt it his duty to go to work as soon as possible to help educate younger brothers and sisters.

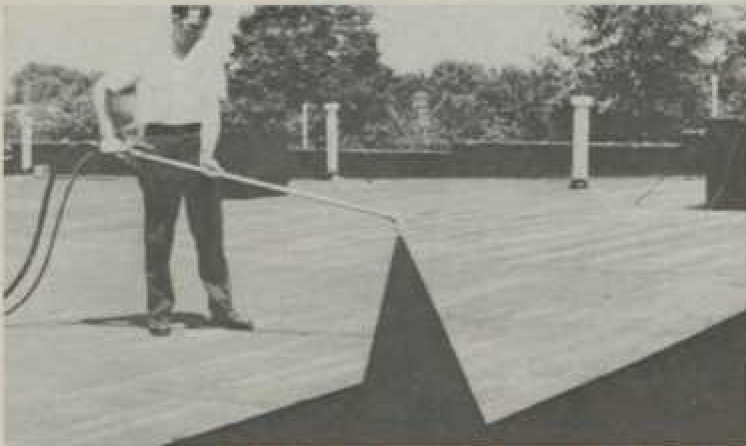
"The problem," Dr. Schoen says, "was not admitting more qualified black students to graduate schools of business.

"Rather, it was discovering them, and persuading them to sign up.

"Recruiting is expensive. Last year, our representatives interviewed candidates at more than 200 universities—including 50 schools that are mostly black.

"Doing it for a consortium of five universities—instead of each doing its own—cuts costs."

In September, 1967, the consortium awarded its first two-year fel-



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lowships to 22 black students. Last September, it was able to award 65. It hopes to give 65 yearly, from now on.

The number of applicants has tripled since it began five years ago.

So far, it has 91 alumni who have completed the two-year M.B.A. course.

You'll find them at such blue chip companies as General Electric, General Foods, Ford, IBM, Xerox, Del Monte, Scott Paper Co., American Airlines, Peat, Marwick, Mitchell & Co. and Bankers Trust Co.

Recently, the consortium changed its name to the Consortium for Graduate Study in Management and began to recruit from other minority groups, including Mexican-Americans, Puerto Ricans and American Indians.

Ten other graduate business schools in 1970 adopted the approach the consortium pioneered.

They formed the Council for Opportunity in Graduate Management Education. Included are the graduate business schools of the University of California at Berkeley, MIT, Carnegie-Mellon University, Chicago University, Columbia, Cornell, Dartmouth, Harvard, the University of Pennsylvania and Stanford.

The council, too, will award fellowships to members of minority groups.

The Alfred P. Sloan Foundation got it off the ground with a $1 million grant. Like the consortium, the council will seek added support from industry and other foundations.

Would they do it again?

Has the consortium's effort been worth it to its alumni?

"Yes, I'd do it again," says Mr. Fields in his mid-Manhattan office. "Black people have power politically, but there's a lag in economic power. That's because they aren't being schooled in business methods.

"I'm working in financial analysis here, and on development of our information system. I think I have greatly improved my financial expertise. That's of value in the corporation or a company of your own."

Would First National City Bank's Mr. Scott do it again?

"Gosh, yes," he replies.

"I'm in the corporate banking group. In each group, there are several divisions. Each division has several departments.

"My department is information systems and electronics. Our clients include Sperry Rand, General Telephone and Electronics, Bausch and Lomb, and Hewlett-Packard.

"I was hired to be an account manager and I am. Before that I was an account manager's backup man. I helped him make decisions, and when he was not here, I made them for him. On loans, for example, I may have had to O.K. or turn down $12 million worth in a day.

"Now I have accounts of my own.

"Like it? I love it. The job has a lot to offer me, and I have a lot to offer it."

Says Mr. Randall of IBM: "I'm happy I've chosen this career. This is my golden opportunity and I can assure you I'm going to give it everything I've got."

Of course, one alumnus comments, everyone who gets into the program "isn't necessarily going to work for a corporation all his life. I think many have in the back of their minds the idea of eventually going into business for themselves."

Window dressing?

The consortium's alumni don't seem to agree with the accusation aired two years ago in an *MBA* magazine article: "Black Executives: The Darkies at the Bottom of the Stairs." The article said businesses often give executive jobs to Negroes to keep the Office of Economic Opportunity off their backs and to produce "a liberal image."

The authors, black executives themselves, said these blacks are window dressing who don't get inside the charmed circle where the real corporate decisions are made, but instead are "assigned to perform a number of peripheral, sometimes useful but more often merely decorative functions."

Says Dr. Schoen: "I don't know any of our graduates who feel that way. They're smart, they've won their degrees at good graduate business schools on the same terms as white students.

"Nothing was handed to them on a silver platter. They can do the job." END

A Union "Retires" a Teacher

The Board of Education of Adams Township, Mich., marked the imminent retirement of teacher Margaret Maki in a strange way.

It fired her.

Mrs. Maki had taught in local elementary schools for 31 years and was just three months away from retiring. The dismissal made her ineligible for a full pension.

The offense that led to such drastic action? She had refused to pay dues to the local teachers' union, the Adams Township Education Association, under an agency shop provision the school board had agreed to in collective bargaining.

Mrs. Maki said she had been a member of the teachers' organization, but left it several years ago when it changed from "a professional organization to a full-fledged labor union run by men . . . interested in playing politics and getting people fired for refusing to pay them money."

She found a degree of irony in the union's contention that, since it represented nonmembers as well as members, it was entitled to collect dues from her.

When she was a member of the union, she said, its officials had refused to represent her before the school board because she did not have a college degree. The union went so far as to oppose a request she had made for a raise, she added.

With the backing of the National Right to Work Legal Defense Foundation, Mrs. Maki sued the union and the school board, challenging the legality of her dismissal.

She argued that payment of compulsory membership dues or service fees deprived her of her rights to freedom of association, thought and privacy in violation of the state and national constitutions. She also held that a substantial part of dues sought from her would be used to further economic, ideological and political causes she didn't believe in.

More than 600 Detroit teachers have joined in another court challenge of the compulsory agency shop in Michigan. END

Why Local Reform Is a Businessman's Concern

An investment in good government can produce immediate dividends—as well as long-term benefits

You'll invariably find businessmen in the front ranks of civic leaders contributing time, energy and money to the cause of reforming local government.

Most feel they are making a long-term investment that will one day yield the effective, responsive governing structure needed to maintain a stable society in this turbulent age.

But more tangible, immediate rewards also are possible.

Analysis of the functioning and malfunctioning of local government—which in this discussion means county, town, city, school and special districts—shows reform can produce dramatic and direct benefits for the business community.

This became obvious to me during 10 years' service as executive director of the Advisory Commission on Intergovernmental Relations, which was established to bring together federal, state and local officials in an effort to increase cooperation among the various levels of government.

WILLIAM G. COLMAN, *author of this article, is a member of the President's Commission on School Finance, chairman of the Maryland Governor's Advisory Council on Comprehensive Health Planning, and a consultant to the Citizens Conference on State Legislatures. He also is an elected member of the Montgomery County, Md., Board of Education.*

Take the whole spectrum of taxation.

Government modernization could be the answer to the problem of elected tax assessors, who may consider it politically wise to "soak" business and industrial property so they can play the hero to homeowners.

Trained, professional assessors could be appointed, leading to more equitable assessment of real and personal property.

Property tax reform also could mean a more accessible and more objective appeals process and, most importantly, the substitution of relative certainty for happenstance and political whim in the assessment process.

Disparity in tax assessments not only reflects slipshod methods costly to all taxpayers but also injects an unnecessary competitive factor in the cost of doing business. A plant in one jurisdiction, for example, may be overassessed in comparison with a competitor in a neighboring community.

If carried far enough, property tax reform could reduce sharply the number of individual governments which send separate bills to the same property owner.

Wisconsin and Michigan, for example, have 1,834 and 1,475 taxing jurisdictions respectively, compared with 58 in California and 24 in Maryland.

Modernization of property tax machinery could allow for a single, consolidated billing, as is now the case in such states as New York, Texas and Missouri, instead of separate ones from counties, cities and special districts.

Shorter and simpler

Simplification of other types of taxes could also cut down on the time spent by accounting offices on tax matters.

Local sales and income levies could be "piggybacked" on a state tax or collected by the state and rebated to local governments with large cost savings in bookkeeping.

Some firms in Pennsylvania now must keep track of income taxes withheld from the wages of a single employee for as many as a half-dozen taxing jurisdictions.

A further aspect of tax reform could be a differential property tax rate in which the amount due would be geared to governmental services actually received.

One example of need for such a change is provided by urban counties where the law enforcement activities of the sheriff's office are limited to unincorporated areas but city taxpayers, who do not benefit from those activities, pay a large part of their cost.

A final consideration in the tax area involves the handling of the cash coming in.

No corporation would allow its chief financial officer to keep cash assets on demand deposit at no interest. But that is exactly what happens in several states and many localities.

Government reform could bring about a policy of quick and prudent investment of idle cash, returning sizable sums that otherwise would be lost to the city, county or township.

Cutting the cost of crime

Law enforcement is another major area where modernization could produce not only markedly improved performance but also substantial savings.

The economic cost of crime in the United States is estimated at $50 billion a year, much of it flowing into the hands of highly organized syndicates.

Yet to deal with organized crime, we rely primarily on 20,000 separate local law enforcement units.

Establishment of metropolitan strike forces, regional centers for laboratory analysis and communications, and elimination of duplication by county, city and other police agencies are among changes urgently needed if crime's human and dollar costs are to be reduced significantly.

Prosecutors' offices, courts and correctional institutions are also fertile fields for improvements that could help reduce the cost of crime, or at least slow its rate of increase.

Modernization of correctional institutions, which often corrupt more than they correct, can help reduce the problem of "repeaters" who now return to crime as soon as they are freed.

The incalculable extra economic and social costs inherent in the present judicial system are underscored by

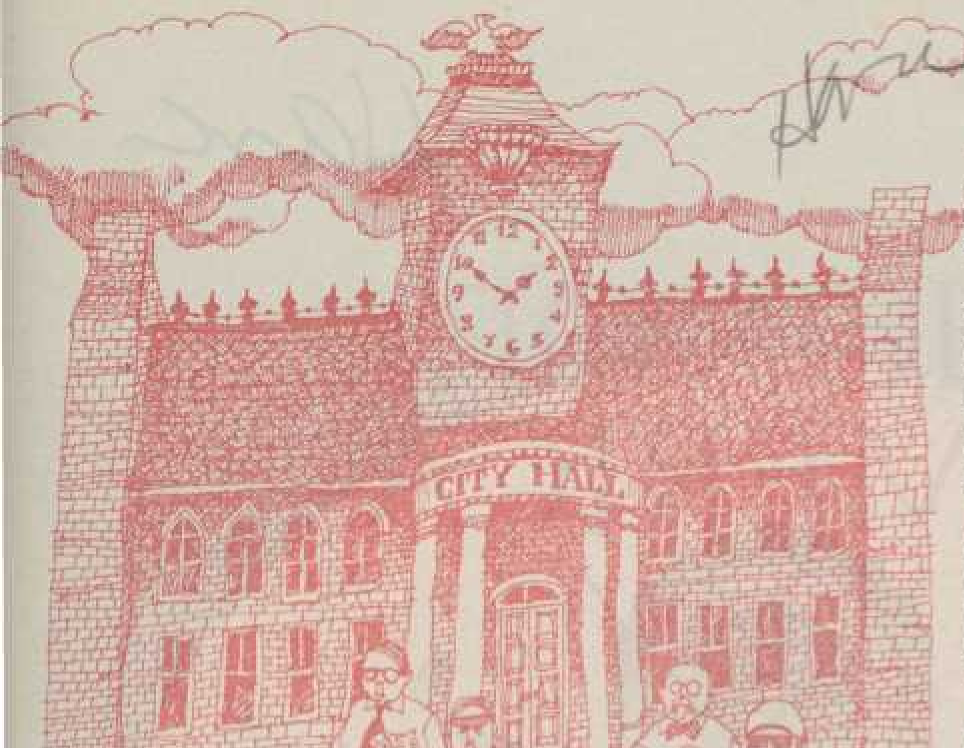

ILLUSTRATION: JOHN HEINLY

the estimate that half the inmates of our jails and detention facilities are there, at taxpayer expense, awaiting trial because of court congestion.

Improvement of the judicial machinery would not only be more economical in crime cases but also could speed civil litigation and cut its cost.

Joint efforts in other areas besides law enforcement could produce substantial savings for local governments, and better service to the public.

The existence of large numbers of local government units—6,453 in Illinois, 4,998 in Pennsylvania, 3,283 in Ohio—often means unnecessary overhead for businessmen who must support a profusion of governmental services.

Reform of such situations could be an immediate goal.

Local building codes are another area of business concern. They may need updating or, better yet, replacement by a state-wide code. The result could be immediate dollar savings for the businessman planning construction or expansion.

More often than not, model codes now adopted locally are subjected to variations, dictated by special interests of labor unions or suppliers of raw materials, that add to construction costs.

Enlightened building codes could spare the businessman in some large cities from threats of a "squeeze" on the part of unprincipled political hacks who inspect buildings and issue permits.

Such codes also might help arrest the decay of the inner cities in which business still has a huge investment in office, retailing, manufacturing, warehousing and other facilities.

The centers of cities could benefit, too, from other changes—establishment of neighborhood sub-units of government or advisory councils, and channeling of municipal services through neighborhood city halls. Such steps could lessen disaffection among low-income residents and help begin to restore social and economic stability.

On the other hand, centralized executive leadership—a strong mayor or an elected county executive—could bring marked improvement over a setup where a board of county commissioners or a strong council-weak mayor alignment has collective responsibility for governing.

No corporation would dream of trying to operate with executive power equally divided among the board of directors. Yet that is exactly what we citizens often impose upon ourselves locally.

The list of common sense business practices that flow from modernization of local government could go on and on: Centralized purchasing with its obvious economies, consolidation of computer and accounting services to cover more areas at lower unit cost, performance contracting to provide a competitive yardstick to see whether some government services could be provided better by private enterprise, etc.

Don't expect miracles

However, two notes of caution on efforts to improve local government are in order.

First, the businessman embarking on such an effort should realize he might well encounter serious and determined resistance not only from entrenched officialdom but from other interests that derive special privilege from the status quo.

And, while reform efforts will bring about savings, local modernization is not likely to produce an absolute reduction in the level of taxes for the businessman or any other taxpayer. Over the next few years, government functions and costs—and consequently, taxes—seem destined to continue their steady rise.

But without modernization, expenditure levels would be even higher, while the quality of service could deteriorate even further.

The need is urgent, the opportunity is great, and the time is now for a rededication of business and civic leadership to making local government in America an instrument of, rather than a barrier to, economic growth and social betterment. END

Hare

HONOR AMERICA DAY

THIS 4TH OF JULY marks America's 195th Birthday. The day has been set aside for the purpose of helping to create a greater spirit of unity among all American citizens. A day to rekindle the great lust for freedom. But Freedom cannot be taken for granted. It must first of all be earned. Then it must be zealously guarded. It must be held high in our hearts, as a sacred thing. It must be worked for; it must be sacrificed for. The country today is beset by grave human problems which affect our daily living, and which we have been too slow in solving. As a consequence, youth is in rebellion. Our young people want a better society, and they want it without delay. Many of them seem to feel that the only way in which improvement can be brought about is by revolutionary means. They seem to feel that what has been accomplished up to now doesn't count, and that patriotism is outmoded. Forget the prescripts of the past, we are told. Get rid of institutions and traditions. Destroy the establishment. . . . This is a dangerous route. It can only lead to loss of freedom. Fortunately, it does not reflect the mood of all of our youth, or of the people in general. The American dream for Freedom is still alive. Our representative form of government is still in good working order. Our free market economy is still functioning. There is still a determination on the part of responsible citizens to face up to national problems, to get rid of the causes, and to move ahead. There is still a belief in moral values in this country, and still a practice of the principles upon which this nation has been built. There is still faith in the goodness of people. There is still a sense of pride in the greatness of America. At the present time, there is a new note of hopefulness for the future—and a new confidence in the future.

Honor America Day gives people an opportunity to express this hopefulness and confidence—and to express their appreciation for the blessings of living in America.

Arch N. Booth

Statement by Arch N. Booth
Executive Vice President
Chamber of Commerce of the United States


E PLURIBUS UNUM

BUSINESS | A LOOK AHEAD

BY GROVER HEIMAN
Associate Editor

AGRICULTURE

Look for the most rapid growth in cattle feeding to continue in the Plains States—unless water shortage and pollution become limiting factors—with the Southeast gaining importance as a herd breeding area.

That's the prediction of agricultural experts, who say that by 1980 per capita demand for beef will rise from today's 113 pounds to 130 pounds. With the number of consumers growing, too, an over-all increase of one third is expected in beef demand.

To satisfy the demand, the total cattle population must be in the range of 125 million to 130 million by 1980, compared to 114.6 million in 1970.

Greater beef production will depend primarily on expansion of present breeding herds. Except for herd replacement, all young cattle suitable for feed lot finishing are now being consumed. Some 35.4 million were consumed in 1970. Consumption in 1980 is forecast at about 46 million.

According to Agriculture Under Secretary J. Phil Campbell, the herd buildup will likely come in sections that have the heaviest rainfalls—the Southeast and Midwest.

CONSTRUCTION

A home on wheels may be the owner's castle, but it's not necessarily a mobile home—according to product definitions adopted by the Mobile Homes Manufacturers Association.

A "mobile home," the Association says, is a transportable structure measuring at least eight feet in body width and 32 feet in body length, built on a chassis and designed to be used as a dwelling with or without a permanent foundation when the structure is connected to required utilities.

If it's smaller, it's best described as a "recreational trailer," says an Association spokesman.

Other product definitions are for "double wide mobile home" (two mobile home sections); "expandable mobile home" (one or more rooms fold, collapse or telescope); "modular unit" (a factory-fabricated transportable unit); and "sectional home" (two or more modular units).

CREDIT AND FINANCE

In time, today's engraved stock certificates, even if otherwise worthless, may have value as antiques. The punched card may give the certificate a knockout blow.

As stock trading and stock thefts have soared, security specialists have been reevaluating issuing certificates by computer.

Most conclude it isn't yet feasible. Current thrust, says the New York Stock Exchange, is toward immobilizing certificates in depositories. (The NYSE's Central Certificate Service now holds some three million certificates. The 800 million shares they represent may change hands, but physically, the certificates stay put.)

However, one company which isn't listed on the exchange, Reliable Investors Corp. of Madison, Wisc., recently reissued its stock on punched cards using an IBM System/360 Model 20. It says this cuts printing costs by 60 per cent and provides other benefits, such as in handling.

One reservation about the punched card is that it might give counterfeiters a field day. But proponents point out that U. S. Savings Bonds are being issued on engraved punched cards, and counterfeiting attempts are extremely rare.

Obviously, however, there would be headaches in a general change-over, considering the many millions of stock certificates that exist.

FOREIGN TRADE

There could be a rather dramatic turnabout in the discouraging balance of payments situation, if history repeats itself.

In previous periods of rapid expansion of the economy, the trend has been for prices of imports to rise faster than prices of exports. This is because of cost-cutting during business slowdowns. It takes a while for labor costs to cancel out productivity rises.

Many "ifs" are involved, not the least being inflation. But Paul W. McCracken, chairman of the Council of Economic Advisers, says the U. S. is ahead of other industrial nations in reducing the rate of inflation.

In the long run, he contends, "the most important requirement for international competitiveness, on which a strong trade balance ultimately depends, is a sustained and substantial increase in productivity."

This, he notes, is most likely to happen in periods of vigorous expansion, and won't if there is prolonged stagnation caused by "chronic underutilization of capacity."

MANUFACTURING

Some industrial experts believe mini-computers will have a greater impact on manufacturing in this decade than any other single factor will.

By 1975, mini-computers are expected to be going into factories at a rate of 10,000 a year to do a variety of jobs, compared to 3,500 in 1970. Annual sales of $1.6 billion are seen by 1975.

Last year about 10,000 central processors (the basic units) were sold by the 40-odd companies in the industry for all uses—in offices as well as in factories. Seven firms account for 90 per cent of the sales of the processors, which generally are priced below $25,000.

The first mini-computer to sell for less than $20,000 was marketed in 1965. Today one firm offers a stripped-down unit for $800, but equipment for sophisticated tasks starts at around $10,000.

Basing its prediction on a new market analysis, Arthur D. Little, Inc., says some 35,000 mini-computers will be performing industrial tasks by 1975 while 65,000 more will be performing other jobs.

MARKETING

Users have until the end of the year to buy portland cement by the barrel. After that it's the short ton and hundredweight for the bulk buyer.

But the 94-pound bag is still going to be around. Less than 10 per cent of cement produced is now bagged.

A survey of producers by the Portland Cement Association showed a preference for the 2,000-pound standard rather than the 376-pound barrel measure. So they have decided to switch.

Actual shipment in barrels stopped about 50 years ago, but the weight measure has survived.

Conversion will cause relatively inexpensive changes in equipment for producers. In the past, mixing instructions have used the bag measure. New directions will include pounds as well.

Up ahead is the prospect of conversion to the metric ton (2204.6 pounds). The Association says the change-over to the short ton is "a big step" toward the metric system.

NATURAL RESOURCES

By shooting trees—into the ground—foresters anticipate shortening the normal 50-year growing cycle in many areas to 40 or 35 years. It's done with an inertia gun, using a seedling as a bullet.

One man can plant 2,500 growing trees a day in soft ground with the hand-operated device, Georgia-Pacific Corp. reports. This single-step method is several times faster than the old-style process of digging individual holes, planting, and then tamping roots.

The tree bullets are made by encasing seedlings in plastic, ground bark or fertilized peat moss. Impact of a firing plate on the ground propels the seedling to the proper depth. No tamping is required in the process.

Helicopter reseeding has been the most efficient and economical method in the past (a fourth the cost of hand planting) and will still be used in difficult areas, Georgia-Pacific says. But within two years the company expects to use this new technique almost exclusively. It's preferable to helicopter seeding in most cases, the corporation says, because it gives a new forest a big head start and reduces tree mortality sharply.

Forestry experts see demand for softwood saw timber more than doubling by the year 2,000. In 1970, output totaled 50 billion board feet, according to the National Forest Products Association.

Editorial

Guess Who's Coming to Dinner?

Like it or not, you're supporting one more person than you think.

Besides your family, you're providing for about one fourth of a government employee, one fourth of a person on public welfare, and one half of a person on Social Security.

That's the average for us taxpayers.

Under some of the welfare plans being proposed, you'd have still another invisible member added to your "family."

Or, another uninvited guest.